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adding up...

A N N U A L R E P O R T 2 0 0 0

strategy

people

acquisition

exploration

exploitation

growth



In 2000, Summit embarked on an exciting new phase of growth. Strong commodity prices allowed for accelerated progress toward the Company's goals without the need to compromise commitment to the strategies adopted in 1999.

PEOPLE + ACQUISITIONS + EXPLORATION + EXPLOITATION = GROWTH



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NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of Summit Resources Limited will be held on May 17, 2001 at 3:00 pm in the Sun Life Plaza, Conference Centre, Mezzanine Level, 140 - 4th Avenue SW, Calgary, Alberta.

2000 Highlights

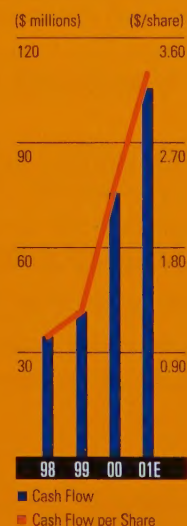
YEAR ENDED DECEMBER 31	2000	1999	% CHANGE
(\$ thousands, except per share amounts)			
FINANCIAL			
Oil and Natural Gas Revenue	140,244	85,557	64
Cash Flow from Operations	75,244	41,319	82
Per Share			
Basic	2.30	1.24	85
Diluted	2.26	1.23	84
Net Earnings			
Per Share	29,852	5,825	412
Basic	0.91	0.17	435
Diluted	0.90	0.17	429
Long-term Debt, net of working capital	102,860	66,024	56
Capital Expenditures (including acquisitions)	105,759	11,301	836
Common Shares Outstanding (000s)			
Weighted Average	32,770	33,415	(2)
At December 31	31,976	33,417	(4)
Stock Options	1,869	1,508	24
OPERATIONS			
Oil and NGL			
Production – bbls/d	4,667	4,589	2
Price – \$/bbl	37.50	23.25	61
Natural Gas			
Production – MMcf/d	43.8	46.6	(6)
Price – \$/Mcf	4.70	2.71	73
Barrels of Oil Equivalent *			
Production – BOE/d	9,044	9,246	(2)

* **Volume Reporting:** Barrel of Oil Equivalent (BOE) volumes throughout this annual report have been calculated using a conversion factor of 10 Mcf = 1 bbl. Key BOE financial and operating data is also provided using a conversion factor of 6 Mcf = 1 bbl on page 46.

DAILY BOE PRODUCTION



CASH FLOW



Message to Shareholders



Ken Lueers

Gary Jackson

Curt Labelle

Don Nelson

2000 SAW SUMMIT'S RESURGENCE AS AN ACTIVE EXPLORER

2000 Highlights

- Record financial results
- Increased and growing production
- Strengthened financial position
- Acquisition of Torex Resources Inc.
- Accelerated exploration and development cycle
- Expanded inventory of opportunities



Bryn O'Shaughnessy

Cam Sebastian



To Our Shareholders

STAYING THE COURSE

Our patience, persistence and commitment to strategies were well rewarded in 2000, as we entered the growth phase of Summit's evolution. In 1999, in order to reposition the company for sustainable growth, we made a number of difficult choices and adopted strategies that we knew would result in new levels of achievement for Summit. In 2000, we are pleased to report that record natural gas prices and strong oil prices accelerated our financial capability to capitalize upon our plans.

In the year 2000 Summit completed its resurgence as an active explorer; the Company drilled 45 wells during the year. Our exploration and development success grew Summit's production in every quarter of 2000 and we exited the year producing in excess of 10,000 barrels of oil equivalent per day (10:1). Our growing production base combined with very strong commodity prices to generate record cash flow in excess of \$75 million (\$2.30 per share) and significant net earnings of almost \$30 million (\$0.91 per share). Despite a rapidly escalating industry cost structure resulting from unprecedented competition for services, our commitment to cost control yielded a decrease in unit production costs from \$5.73 per barrel of oil equivalent in 1999 to \$5.34 per barrel of oil equivalent in 2000.

Exploration and development capital expenditures, including acquisitions, were \$97 million in 2000, almost four times the net expenditures of 1998 and 1999 combined. By enabling us to significantly increase our acreage inventory, acquire seismic in key exploration areas and add facilities and infrastructure, this spending sets the stage for additional future growth. The profitability of the reserves added in 2000 and the impact of higher commodity prices is highlighted by Summit's 2000 recycle ratio, (netback per BOE of production/finding and development costs per BOE of reserve additions) in excess of two times. The Company's pre-tax net asset value of established reserves, discounted at 10 percent, based on escalated pricing, increased 96 percent to \$11.61 per share.

Message to Shareholders

Although Summit's capital program expanded significantly during 2000, we have maintained our financial flexibility and ongoing ability to capitalize upon opportunities as they arise. Year-end net debt of \$103 million represents only one times fourth quarter annualized cash flow and is well within our current credit availability of \$110 million.

A TIME FOR GROWTH

As 2000 progressed and the prospects of excellent financial results became more certain, we accelerated Summit's growth strategy. The acquisition of Torex Resources Inc. provided an excellent strategic fit and an outstanding platform for Summit's continued growth. Torex, which was acquired for \$46 million in an all-cash takeover in August, provided a solid base of 1,500 barrels per day of existing production and 103,000 net acres of undeveloped lands, all located within Summit's existing core areas. More importantly, Torex also held in excess of 50,000 net acres of high-potential land in the Virginia Hills/Prairie River area, immediately north of Summit's Fox Creek/Two Creek key focus areas. This undeveloped land position, very large for a company of Torex's size, and the related inventory of over 20 drill-ready prospects, has allowed Summit to accelerate its exploration program in the area by capitalizing on the momentum that Torex had already established.

Summit now has a focused, established base of production yielding substantial cash flow – the key criteria to pursuing additional growth opportunities. This cash flow, in combination with our continued financial flexibility, can be deployed toward what is now a significant inventory of exploration and development opportunities within Summit's focus areas.

A NEW TEAM

The past year also saw significant changes to Summit's management team. Through the course of the year the Company added Gary Jackson, Vice President, Land, Cam Sebastian, Vice President, Finance and Ken Lueers, Vice President, Exploration. Each of these individuals brings significant experience in all aspects of the upstream oil and gas industry to Summit as well as a strong commitment to Summit's strategy for growth.

Summit's technical professionals are a very experienced team of talented individuals. The team has been rebuilt over the last two years and we are all excited about the opportunities for immediate and future value creation for the Company's shareholders.

OUTLOOK

While Summit's 2000 annual and current production is evenly balanced between oil and natural gas, we are well positioned to capitalize on the particularly favorable market conditions that appear to be evolving for natural gas. While oil prices recovered to impressive levels and then retreated somewhat, to a still very attractive range, natural gas prices rose dramatically and steadily throughout the year and appear to have entered a new realm of pricing for the commodity. Summit achieved a record average annual natural gas price of \$4.70 per thousand cubic feet in 2000 including a price of \$6.78 in the month of December. Our future production base is weighted towards natural gas as our undeveloped acreage and most of our drilling inventory is focused in multi-zone natural gas prone areas.

This period of financial strength for our industry is not without its unique challenges. The markets for producing property acquisitions, acreage, drilling rigs, oilfield services and qualified personnel are all very competitive. Rising natural gas prices and electricity costs and supply concerns also have a dramatic effect on oil and gas production costs. In 2001 we will continue to be diligent towards cost control and carefully select the opportunities we pursue.

Summit has established a capital expenditure budget for 2001 of \$75 million. With target 2001 production averaging 11,000 barrels of oil equivalent per day, capital expenditures are not presently expected to exceed 2001 cash flow. Current market commodity price expectations also suggest the possibility of substantial incremental cash flow from projected levels.

The continued relative lack of interest in the oil and gas sector by equity capital markets has resulted in persistent attractive market valuations for many corporations, and a wave of consolidation throughout the industry. Summit continues to monitor the industry for corporate opportunities that would provide a good strategic fit and positive return for Summit's shareholders.

I would like to thank all of the management and staff of Summit for their efforts that have been so instrumental in the successful turnaround of the Company. The continued counsel and support of our Board of Directors has also been invaluable. I look forward to 2001 and beyond as we continue to expand and grow Summit with opportunities that will add significant value to the Company.



Donald J. Nelson

President

March 14, 2001

Core Areas



SUMMIT CONTINUES TO FOCUS ON THREE PRINCIPAL CORE AREAS OF OPERATION: WEST CENTRAL ALBERTA, SOUTHERN ALBERTA / MONTANA AND THE WILLISTON BASIN.

In our 1999 report Summit presented a series of strategies which were intended to carry the Company through its evolution to a premier exploration and production company. These guiding principles have not changed and, in fact, they played a significant role in guiding the Company to the significant achievements of 2000.

Focused Operations

- In 2000, 29 of the 45 wells which Summit drilled were in the Company's west central Alberta focus area.
- Over 80 percent of 2000 exploration and development capital expenditures were directed towards multi-zone gas-prone prospects in west central Alberta.
- Virtually all the production, acreage and drilling locations of Torex Resources were located within Summit's existing core areas.

Financial Flexibility

- Debt to annualized trailing quarterly cash flow was reduced from 1.3 to 1.0 times from December 31, 1999 to December 31, 2000 despite capital expenditures of \$106 million.
- Credit lines were increased by \$17 million to \$110 million in 2000.
- Currently only an average of 125 barrels per day of oil and none of the Company's natural gas production are subject to financial hedges in 2001.

Balanced Risk Portfolio

- Summit's 2000 capital program was well balanced between exploration and development activity including ongoing development work at the Company's Fox Creek, Two Creek, Rabbit Hills, Chain and Mirage fields, which complement Summit's exploration in west central Alberta.
- Summit's average drilling and completion costs per net well have decreased from over \$1 million to \$725,000 in 2000. This allows the Company to pursue a greater number of more diverse opportunities.
- Many of the Company's project areas, particularly in west central Alberta, present multi-zone drilling opportunities. These types of plays greatly reduce overall risk.

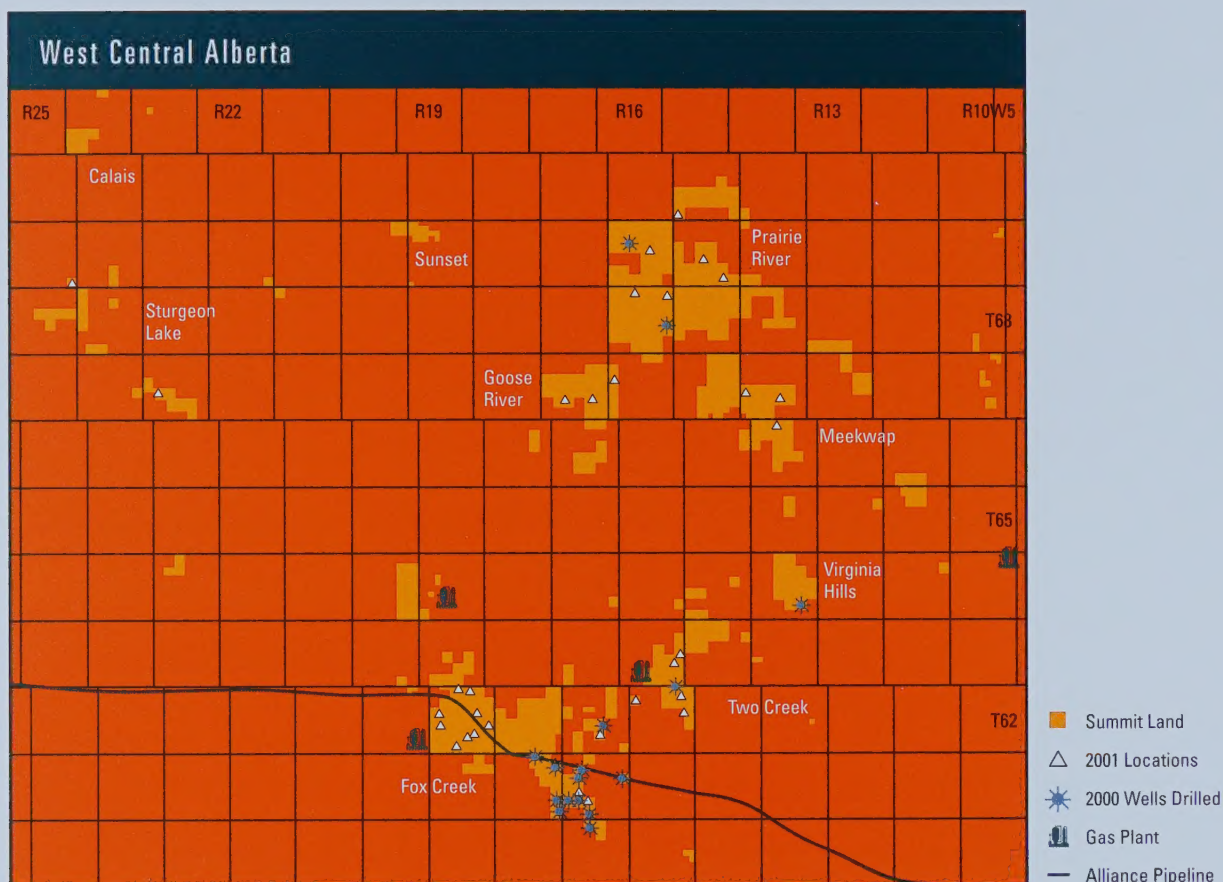
Core Acquisitions

- In 2000 Summit added 159,000 net acres of highly prospective undeveloped lands within our core areas.
- 55,750 net acres of land were acquired through Alberta Crown land sales at an average cost of \$79 per acre, significantly less than the Alberta industry average of \$119 per acre.
- An additional \$7.5 million was directed towards producing property acquisitions and swaps within core areas.
- The Torex acquisition was an exceptional strategic fit for Summit, adding 103,000 net acres of undeveloped lands to Summit's portfolio, all within the Company's established core acres.

Oil and Gas Balance

- Despite our current exploration focus on natural gas prospects, Summit maintains a substantial portfolio of oil properties and related drilling opportunities. Just over 50 percent of Summit's production base and 52 percent of proved plus probable reserves are comprised of oil and liquids.

Property Review



West Central Alberta

Summit's gas focus area in west central Alberta, ranging between townships 60 and 80 west of the 5th and 6th meridians, is the principal example of the application of the Company's strategy of focused operations. Summit has amassed over 300,000 gross acres of undeveloped land in this region (average 61 percent working interest) which accounted for 44 percent of Summit's daily production in 2000 and over 70 percent of the Company's capital spending and drilling in 2000. Daily gas production was increased from 20 MMcf/d to 30 MMcf/d through the 2000 exploration and development program.

2000 Highlights

Core Area Summary West Central Alberta

Production

Oil (bbls/d)	1,534
Natural Gas (MMcf/d)	25.3
Total (BOE/d)	4,064

Reserves (proved plus probable)

Oil (Mbbbls)	4,930
Natural Gas (Bcf)	95.4
Total (MBOE)	14,460

Land (net acres)

Developed	65,800
Undeveloped	186,525
Total	252,325

Summit's principal properties in west central Alberta are Fox Creek, Two Creek and Mirage and with the acquisition of Torex now include the Virginia Hills and Prairie River properties. Most of the plays in this area offer multi-zone, gas-prone drilling targets including the Viking, Notikewin, Bluesky, Gething and Halfway formations. The multiplicity of zones with substantial reserve addition opportunities not only reduces drilling risk but also greatly improves the economic return of projects, especially in periods of strong commodity prices. With average drilling depths of approximately 1,700 meters, this area allows for wells to be drilled, completed and tied-in for under \$1 million per well.

In addition to a strong land position, Summit has the competitive advantage of significant technical expertise in the west central Alberta area. Three senior geologists are dedicated to generating play concepts throughout the region. The Company also holds and continues to grow a significant seismic database of 3,600 km of 2-D seismic and 145 km² of 3-D seismic over these lands.

Torex was able to amass a very significant land position in the Virginia Hills/Prairie River exploration area, holding interests in over 100,000 gross acres of undeveloped land. This area had historically been the focus of deep oil drilling; consequently there has been a lack of shallower gas exploration and a yet to be established natural gas infrastructure. The Torex acreage not only complements and extends existing Summit holdings in the area, but most of the acreage is held in the form of validated licenses that provide Summit with the opportunity to maintain ownership over all potential exploration targets.

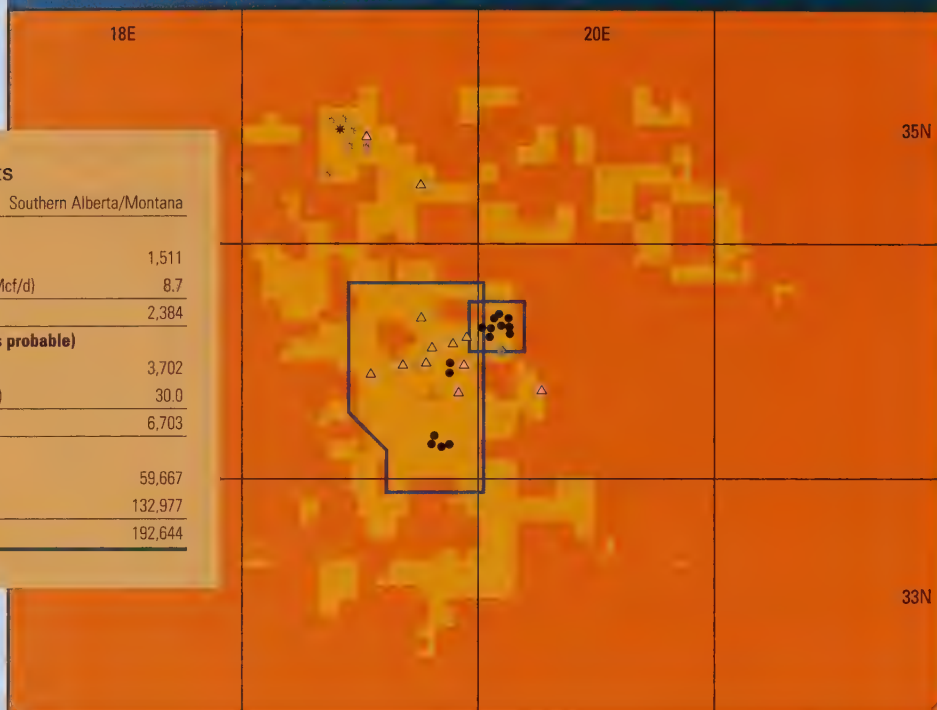
Torex drilled 13 wells in Virginia Hills/Prairie River in 1999/2000 and cased nine gas wells. Five wells were placed on production from the southern Virginia Hills property and Summit resumed the drilling program in this winter-access area in late 2000, drilling four additional wells in Prairie River. This project is still in the exploratory phase with the testing of a number of exploration play concepts. The intention is to drill up to 15 wells in 2001 in order to establish the critical mass of reserves necessary to justify the construction of a pipeline to Summit's Two Creek gas gathering system. The Two Creek gas plant, as well as the two gas plants in Fox Creek, which Summit produces to, are all connected to the Alliance Pipeline on which Summit is a shipper.

Summit also conducted an active development and exploratory drilling program on its existing Fox Creek and Two Creek properties in 2000, drilling 17 wells and recompleting 14 additional wells. The Company has had a drilling rig under contract for the past two years in this area and that contract continues through 2001 where 15 to 20 more wells are planned. In addition, a third compressor will be added to the Company's Fox Creek facilities in 2001 to provide additional production and reserves through reduced suction pressure. A new compressor was also added to the Two Creek gas plant in early 2001 to provide capacity for the ongoing drilling in the area as well as processing of third-party gas.

A re-evaluation of Summit's Mirage oil and gas property has also led to some exciting gas-prone drilling opportunities, primarily in the Charlie Lake and Halfway formations. Additional development locations have been seismically delineated for our four well 2001 drilling program. Compression additions in 2001 at the Mirage battery site will also maximize gas throughput and reserves, while construction of a Summit operated gas gathering line will allow the Company to control gas flow from the southern part of the property.

During 2000, Summit invested over \$18 million in land, seismic and facilities in west central Alberta. These activities included the addition of compression capacity at the Summit operated Two Creek gas plant, extension of the Fox Creek gas gathering system and expansion of Fox Creek compressor facilities. While such expenditures are not reflected in 2000 reserve additions, they set the stage for future reserves and production growth in the area.

Rabbit Hills, Montana



2000 Highlights

Core Area Summary Southern Alberta/Montana

Production

Oil (bbls/d)	1,511
Natural Gas (MMcf/d)	8.7
Total (BOE/d)	2,384

Reserves (proved plus probable)

Oil (Mbbbls)	3,702
Natural Gas (Bcf)	30.0
Total (MBOE)	6,703

Land (net acres)

Developed	59,667
Undeveloped	132,977
Total	192,644

Southern Alberta/Montana

Summit produces approximately 2,400 BOE/d of oil and natural gas in southern Alberta and Montana. This base of stable production is especially attractive in light of low operating costs, all-season access and a well-developed infrastructure.

From an extensive 3-D seismic grid, Summit commenced an active, five-well oil drilling program in the fourth quarter of 2000 at Rabbit Hills Montana, targeting oil from the Bowes formation. Results to date have been very encouraging and additional shallow oil drilling of up to six wells at Rabbit Hills is continuing this year. Summit holds 32,000 gross acres of land in the Rabbit Hills area, much of which is covered by 3-D seismic. A waterflood program is planned on the Rabbit Hills property and is expected to add oil volumes in 2001 as production voidage is replaced.

One of Summit's core natural gas production areas is the Chain/Craigmyle area of southern Alberta representing 13 percent of Summit's 2000 average gas production. Geological models recently generated by Summit's technical staff have led to new exploration opportunities in the Viking, Mannville, Ostracod and Banff formations which will result in the drilling and recompletion of eight wells at Chain in 2001.

2000 Highlights

Core Area Summary Clarke Lake

Production

Oil (bbls/d)	—
Natural Gas (MMcf/d)	9.5
Total (BOE/d)	946

Reserves (proved plus probable)

Oil (Mbbbls)	—
Natural Gas (Bcf)	20.8
Total (MBOE)	2,079

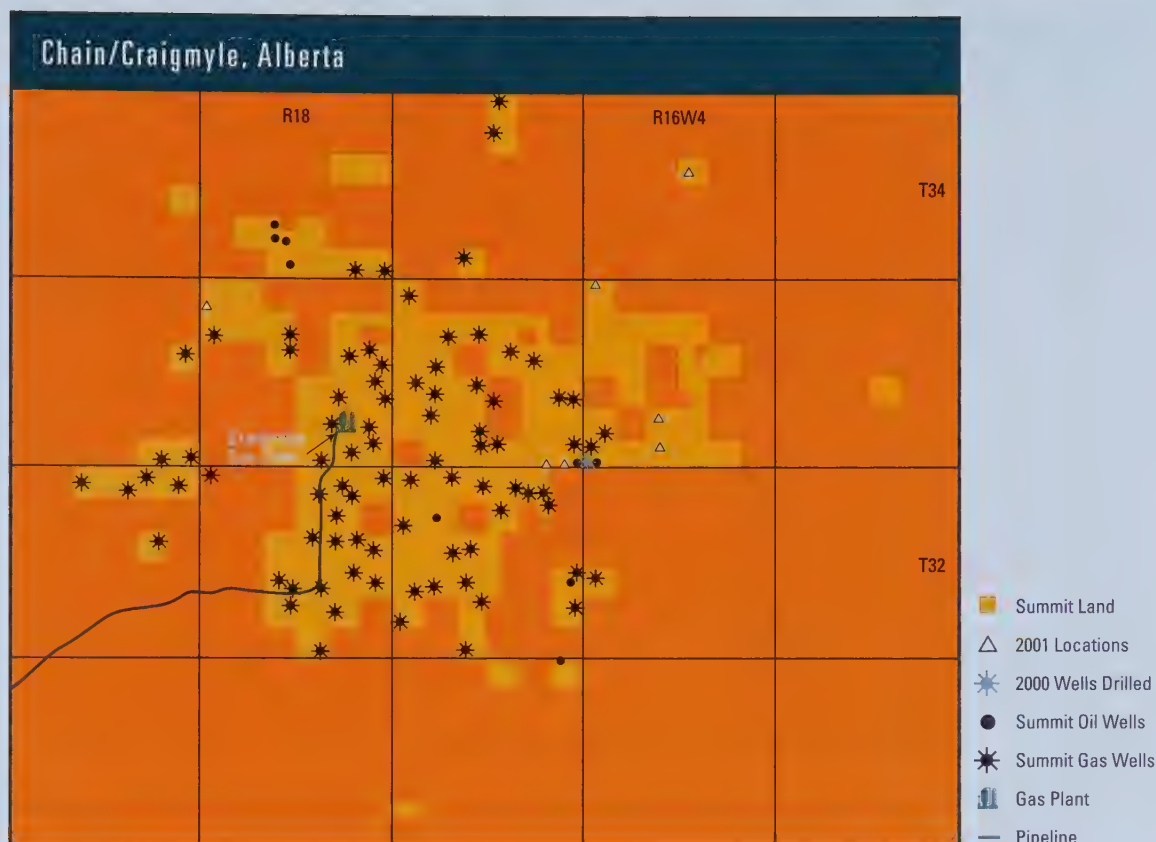
Land (net acres)

Developed	3,729
Undeveloped	1,620
Total	5,349

Clarke Lake

In 1998 and 1999 Summit made the strategic decision to divest of its properties in British Columbia with the exception of the non-operated Clarke Lake gas property. This property provides 9.5 MMcf/d of natural gas production with relatively low operating costs due to an attractive arrangement for the gathering and processing of Summit's gas.

Recent 3-D seismic work has identified two additional Slave Point drilling locations at Clarke Lake.



Williston Basin

A significant portion of Summit's oil production comes from southeast Saskatchewan and the North Dakota portion of the Williston Basin. Summit's United States operations have now been confined to the states of Montana and North Dakota as we have found that these areas can be effectively managed from an operational and technical point of view in combination with our Canadian properties. 2000 production from the Williston Basin averaged 1,649 BOE/d, but the addition of Torex's Saskatchewan properties, which are located immediately adjacent to existing Summit production, boosted current production to over 2,100 BOE/d.

Engineering analysis of the Knutson field in North Dakota suggested potential for a waterflood and enhanced secondary recovery scheme. A unitization process was completed at Knutson in 2000 and a pilot water injection scheme was commenced in early 2001. Further waterflood development and production response is expected in 2001 and delineation drilling is also planned. With the unitization now complete, centralization of the Knutson battery facilities will be undertaken to reduce production costs and better accommodate the waterflood operations.

Summit also plans exploitation drilling in southeast Saskatchewan in 2001 with a total of five wells planned for the Loughheed, Benson and Tatagwa properties.

2000 Highlights

Core Area Summary	Williston Basin
Production	
Oil (bbls/d)	1,621
Natural Gas (MMcf/d)	0.3
Total (BOE/d)	1,649
Reserves (proved plus probable)	
Oil (Mbbbls)	7,579
Natural Gas (Bcf)	1.1
Total (MBOE)	7,695
Land (net acres)	
Developed	14,234
Undeveloped	62,408
Total	76,642

Management's Discussion and Analysis

The following discussion of financial condition and results of operations should be read in conjunction with the Consolidated Financial Statements and Notes thereto. It offers management's analysis of Summit's historical financial and operating results and provides estimates of Summit's future financial and operating performance based on information currently available. Actual results will vary from estimates and the variances may be significant.

Overview

Highlights of Summit's performance in the year 2000 include:

- Barrel of oil equivalent production increased during every quarter of the year and Summit exited the year producing in excess of 10,000 barrels of oil equivalent per day (10:1).
- Cash flow from operations increased 82 percent to a record \$75 million in 2000 (\$2.30 per share).
- Summit participated in the drilling of 45 wells (26.1 net) during 2000, achieving a 73 percent net success rate.
- Summit's pre-tax net asset value per share, based on established reserves discounted at 10 percent, increased 96 percent to \$11.61 per share.
- The Company replaced 240 percent of its 2000 production with proved plus probable reserves additions from the year's acquisition, exploration and development programs.
- Financial flexibility was maintained, as year-end debt was 1.0 times fourth quarter annualized cash flow.
- The acquisition of Torex Resources Inc. greatly enhanced Summit's reserve and undeveloped land base, providing exploration opportunities from which to expand and grow.

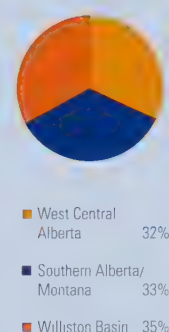
Operations

OPERATIONS HIGHLIGHTS

	2000	1999	1998
Production			
Oil and NGL (bbls/d)	4,667	4,589	5,852
Natural Gas (MMcf/d)	43.8	46.6	57.3
Total (BOE/d)*	9,044	9,246	11,584
Reserves (proved plus probable)			
Oil and NGL (Mbbls)	16,211	14,484	17,145
Natural Gas (Bcf)	147.3	118.0	168.5
Total (MBOE)	30,935	26,283	33,996
Capital Expenditures (net of dispositions) (\$ thousands)	105,759	11,301	18,777
Undeveloped Land (thousands of net acres)	384	338	461

* 1 BOE = 10 Mcf (see page 46 for 6:1 BOE data)

GEOGRAPHIC PRODUCTION DISTRIBUTION – LIQUIDS (percent)



PRODUCTION

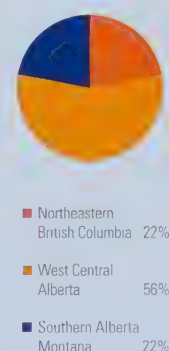
Barrel of oil equivalent production increased during every quarter of 2000, from 8,355 BOE/d for the first quarter to 9,917 BOE/d in the fourth quarter, a 19 percent increase. This increase reflects the results of the Company's exploration and development program as well as the Torex acquisition, effective September 1. Summit exited 2000 producing in excess of 10,000 BOE/d. Average production for 1999 included production from properties sold during that year as part of Summit's rationalization strategy which resulted in decreased average production rates of 9,044 BOE/d for 2000 compared to 9,246 BOE/d in 1999.

Oil and liquids production of 4,667 bbls/d for 2000 represents a two percent increase over 4,589 bbls/d for 1999. The majority of Summit's drilling activity in 2000 was focused on natural gas prospects, however the natural decline in Summit's existing oil properties was offset by 1,000 bbls/d acquired with Torex and the acquisition of complementary interests in the Company's Enchant property in southern Alberta.

Summit's 2000 exploration and development program, including significant success in the Fox Creek/Two Creek area of west central Alberta, resulted in average gas production increasing from 40.7 MMcf/d in the first quarter of 2000 to 48.1 MMcf/d for the fourth quarter. Summit exited 2000 producing in excess of 50 MMcf/d of natural gas. Daily average natural gas production of 43.8 MMcf/d in 2000 represents a six percent decrease from 46.6 MMcf/d in 1999. This decrease principally reflects the effects of the disposition of the majority of the Company's northeast British Columbia gas properties in 1999.

For 2001, Summit expects to increase average daily production to 11,000 BOE/d through its ongoing exploration and development program on existing properties. Summit's continuing focus on natural gas prospects, particularly in the Fox Creek, Two Creek and Prairie River areas of west central Alberta result in projected production of natural gas increasing to 58 MMcf/d in 2001, or 53 percent of oil equivalent production. Oil and liquids production is projected at 5,200 bbls/d for 2001.

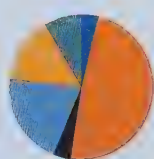
GEOGRAPHIC PRODUCTION DISTRIBUTION – NATURAL GAS (percent)



Management's Discussion and Analysis

CAPITAL EXPENDITURES

2000 CAPITAL EXPENDITURES (\$ millions)



Land	3.9
Acquisitions	51.6
Seismic	4.1
Drilling	21.6
Facilities	15.6
Other	8.9

(\$ thousands)	2000	1999	1998
Exploration and Development Expenditures			
Lease Acquisitions	3,935	1,584	3,004
Seismic	4,117	2,479	4,663
Drilling, Completions and Workovers	21,611	9,453	20,770
Production Facilities	15,548	4,156	9,131
Total Exploration and Development	45,211	17,672	37,568
Acquisitions (net of dispositions)	51,604	(6,405)	(19,058)
Total Oil and Gas	96,815	11,267	18,510
Corporate Assets	8,944	34	267
Total	105,759	11,301	18,777

Summit's 2000 exploration and development expenditures of \$45.2 million reflect the Company's return to an active capital program following the cost reduction measures of 1999. Drilling and completion costs totaled \$21.6 million, reflecting participation in 45 wells during the year. Facilities costs of \$15.6 million included pipelines, tie-ins and expansion of compression capacity related to production additions at Fox Creek as well as additional compression at Two Creek and water disposal and separation facilities at Mirage.

Effective September 1, 2000, Summit acquired all of the outstanding shares of Torex Resources Inc. for total consideration of \$46 million including \$35 million cash plus the assumption of \$11 million of net debt. The Torex acquisition added 1,500 barrels of oil equivalent per day of production, all within Summit's established core areas. Torex operated approximately 75 percent of this production and had an average 75 percent working interest in its producing properties. In addition Torex held over 100,000 net acres of undeveloped acreage, much of which is located adjacent to Summit's Fox Creek/Two Creek focus areas.

During the year Summit also acquired additional interests at Enchant, Alberta. The acquired property lies immediately adjacent to the existing Summit Enchant properties and has provided additional water disposal capacity, which had been a limiting factor in increasing the Company's production from the area. Summit also increased its interests in certain properties in the Fox Creek area through swap arrangements with an industry partner.

Late in 2000, Summit purchased a five-story commercial office tower in downtown Calgary for \$8.5 million. This property is expected to provide the base for Summit's expanding operations in the near future while also shielding the Company from escalating rental rates.

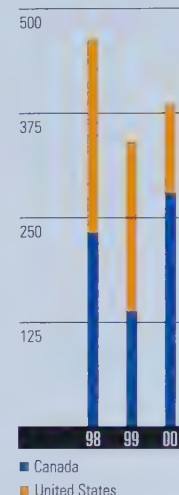
UNDEVELOPED LAND

(net acres)	2000	1999	1998
Canada	275,875	135,278	229,016
United States	107,676	202,697	232,299
Total	383,551	337,975	461,315

As Summit has entered a renewed growth phase in its exploration efforts, the Company has pursued a strategy of aggressive undeveloped land acquisition with respect to strategic parcels within its focus areas of operation. In addition to over 100,000 net acres of undeveloped land acquired through the Torex acquisition, Summit also acquired over 75,000 net acres through Crown and property acquisitions. Crown lands, virtually all of which are considered strategic to existing Summit plays, were acquired at an average cost of \$79 per acre. This compares very favorably to an industry average cost in Alberta of \$119 per acre in 2000, especially given that a number of Summit's project areas are in very competitive and active land acquisition regions.

While Summit has actively acquired land in areas of interest, it has also pursued an active farmout program in areas viewed as non-core or not strategic to the Company. The Company's land acquisition strategy has also shifted back to Canada from the United States. At the end of 1999, 40 percent of Summit's undeveloped acreage was in Canada. By the end of 2000, that percentage had increased to 72 percent.

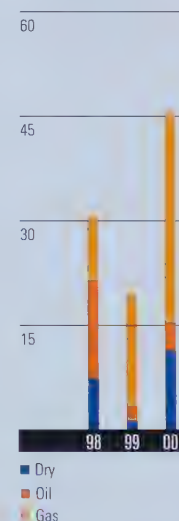
UNDEVELOPED LAND
(net acres) (000s)



DRILLING

	Exploratory		Development		Total	
	Gross	Net	Gross	Net	Gross	Net
Oil	1	1.0	3	0.9	4	1.9
Natural Gas	17	8.2	13	8.9	30	17.1
Dry	9	6.3	2	0.8	11	7.1
Total	27	15.5	18	10.6	45	26.1
Success Rate – net		59%		92%		73%

DRILLING ACTIVITY
(gross wells)

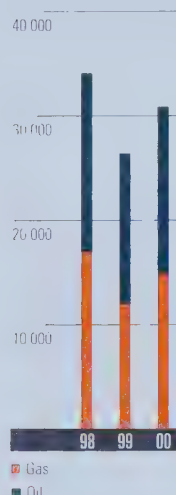


As expected with the acceleration of Summit's exploration and development program, the Company participated in the drilling of 45 wells in 2000, three times the number drilled the previous year. Sixty percent of the 2000 wells were exploration wells and 40 percent were development prospects primarily focused on natural gas targets. Summit achieved a 73 percent overall net success rate in 2000. Consistent with the Company's goal of managing per well drilling costs, the cost per net well decreased to \$725,000 in 2000 from over \$1 million in 1999.

Summit's project inventory contains a number of high quality drilling prospects. As a result the Company expects to drill up to 70 wells in 2001. Drilling activity will be distributed throughout the Company's core areas, but is expected to again feature a majority of multi-zonal natural gas targets in west central Alberta.

Management's Discussion and Analysis

TOTAL RESERVES
Proved plus Probable
(10 Mcf = 1 BOE) (MBOE)



RESERVES

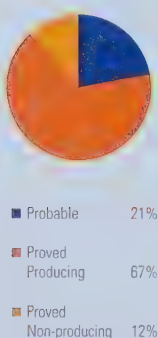
Summit's proved plus probable reserves increased 18 percent to 30.9 million barrels of oil equivalent in 2000. Seventy-nine percent of the Company's proved plus probable reserves are classified as proved and 85 percent of these proved reserves are proved producing.

Summit's reserves are evaluated by Sproule Associates Limited ("Sproule") in its report dated as at December 31, 2000. Sproule has been engaged since 1998 to conduct an independent review of 100 percent of Summit's oil and natural gas reserves. The evaluators are qualified and experienced professional engineers and geologists and are independent of Summit. Personal field inspections of the Summit properties were not made by Sproule as such inspections are not considered necessary in view of the information available from the files of the Company and the appropriate provincial regulatory authorities.

Sproule relies on data generally available through public sources supplemented with data provided by Summit, including, but not limited to the following, land interest descriptions, pertinent well data (such as well logs, drill stem tests, workover details, pressure surveys and productions tests), geological mapping, property accounting statements, marketing arrangements and operating and capital budget information.

Summit's 2000 net proved plus probable reserve additions of 8.0 million barrels of oil equivalent represent replacement of 240 percent of 2000's production volumes.

CONSOLIDATED RESERVES
December 31, 2000
(percent)



Reconciliation of Changes in Reserves

	Oil and NGL (Mbbbls)			Natural Gas (MMcft)		
	Proved	Probable	Total	Proved	Probable	Total
Balance, December 31, 1999	11,065	3,419	14,484	100,825	17,166	117,991
Discoveries and Extensions	437	68	505	24,174	5,351	29,525
Acquisitions	1,764	571	2,335	13,094	1,917	15,011
Dispositions	(8)	—	(8)	(493)	(25)	(518)
Revisions	437	166	603	1,825	(563)	1,262
Production	(1,708)	—	(1,708)	(16,020)	—	(16,020)
Balance, December 31, 2000	11,987	4,224	16,211	123,405	23,846	147,251

REPORT ON RESERVE DATA

Independent evaluators have evaluated Summit Resources Limited's Reserve Data. The report of Sproule Associates Limited is presented below. The Reserves Committee of the Board of Directors has (a) reviewed the Company's procedures for providing information to the evaluator, (b) met with the independent evaluator to determine whether any restrictions placed by management affected the ability of the independent evaluator to report without reservation, and (c) reviewed the Reserve Data with management and the independent evaluator.

The Board of Directors has reviewed the Company's procedures for assembling and reporting other information associated with oil and gas producing activities and has reviewed that information with management. The Board of Directors has approved the Reserve Data.



Donald J. Nelson, P. Eng.
President



Curtis W. Labelle, P. Eng.
Reserves Officer

February 28, 2001

TO THE SHAREHOLDERS OF SUMMIT RESOURCES LIMITED

This letter is to confirm that Sproule Associates Limited was retained as an independent consultant to evaluate the consolidated petroleum and natural gas reserves of Summit Resources Limited. Sproule Associates Limited has prepared reports dated February 12, 2001, entitled "Evaluation of the Petroleum and Natural Gas Reserves of the Canadian Properties of Summit Resources Limited, as of December 31, 2000", and "Evaluation of the Petroleum and Natural Gas Reserves of the U.S. Properties of Summit Resources, Inc., as of December 31, 2000", which present the results of this evaluation. These reports have been prepared in accordance with the Code of Ethics of the Association of Professional Engineers, Geologists and Geophysicists of Alberta. Examinations were made in accordance with generally accepted engineering standards and included such tests and other procedures as were considered necessary. The accuracy of reserves estimated and associated economic analysis is, in part, a function of the quality and quantity of available data and of engineering and geological interpretation and judgment. The estimates presented were considered reasonable at the time the reports were prepared. However, they should be accepted with the understanding that reservoir performance subsequent to the date of the estimates may necessitate revision. In our opinion, our reports present fairly, in all material respects, the reserves and resulting cash flows and net present value of Summit Resources Limited's consolidated reserves, as at December 31, 2000.



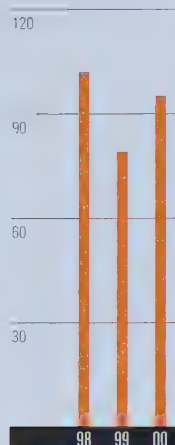
Sproule Associates Limited

Calgary, Canada

February 28, 2001

Management's Discussion and Analysis

RESERVES PER
100,000 SHARES
(MBOE)



Reserve Life Index

(years)	Proved	Proved Plus Probable	
Crude Oil and NGL	7.0	9.5	Based on 2000 production of 4,667 bbls/d
Natural Gas	7.7	9.2	Based on 2000 production of 43.8 MMcf/d
BOE *	7.3	9.3	Based on 2000 production of 9,044 BOE/d

* 1 BOE = 10 Mcf

Present Value of Reserves

(\$ thousands)	Discount Rate		
	0%	10%	15%
Proved Producing	464,079	336,736	301,585
Proved Non-producing	75,631	48,763	41,210
Total Proved	539,710	385,499	342,795
Probable	128,446	68,973	55,549
Total Proved plus Probable	668,156	454,472	398,344

(Based on Sproule Associates Limited January 2001 escalated price forecast)

NET ASSET VALUE

Summit's 2000 reserve additions combined with increasing industry-wide future commodity price expectations to produce a 96 percent increase in the Company's pre-tax net asset value based on established reserves discounted at 10 percent.

Net Asset Value

Discount Rate	15 %		10%	
(\$ thousands except as noted)	2000	1999	2000	1999
Established Reserves*	\$ 370,570	\$ 187,545	\$ 419,986	\$ 221,698
Land and Seismic (land at \$75 per acre)	45,534	41,974	45,534	41,974
Corporate Assets	8,500	—	8,500	—
Long-term Debt, net	(102,860)	(66,024)	(102,860)	(66,024)
Net Asset Value, pre-tax	321,744	163,495	371,160	197,648
Income Taxes	(104,846)	(54,562)	(118,110)	(62,730)
Net Asset Value, after tax	\$ 216,898	\$ 108,933	\$ 253,050	\$ 134,918
Net Asset Value per Share (\$/share)				
Pre-tax	\$ 10.06	\$ 4.89	\$ 11.61	\$ 5.91
After-tax	\$ 6.78	\$ 3.26	\$ 7.91	\$ 4.04

*Probable reserves risked at 50 percent

RESERVES PRICE FORECAST

(Sproule Associates Limited)

	Oil (WTI \$US/bbl)	Natural Gas (AECO-C \$/Mcf)
2001	\$ 28.20	\$ 7.93
2002	24.41	5.73
2003	21.12	4.30
2004	21.44	3.91
2005	21.76	3.91
Escalate thereafter	1.5%	1.5%

MARKETING

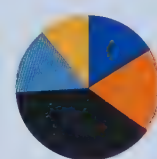
Natural Gas

During the year 2000, the North American oil and gas industry enjoyed the anomalous condition of strong commodity prices for both crude oil and natural gas. Natural gas prices averaged their highest levels since the deregulation of Canadian gas markets in 1985. New York Mercantile Exchange ("NYMEX") gas prices averaged \$US3.91 per MMBtu in 2000 up 72 percent from 1999. With increased gas pipeline export capacity from western Canada, Canadian prices participated fully with U.S. prices, as the average Alberta spot price rose 69 percent to \$4.76 per gigajoule in 2000 from \$2.81 in 1999.

These market conditions allowed Summit to realize the highest annual average gas price in the Company's history at \$4.70 per thousand cubic feet, up 73 percent from \$2.71 in 2000. Summit's diversified portfolio of contracts, markets and geographic price exposures has continued to serve the Company well. Over 85 percent of Summit's current natural gas production is exposed to market prices. Effective December 2000, Summit commenced shipping 18 MMcf/d into the United States midwest market on Alliance Pipeline.

The tight supply and demand fundamentals of natural gas markets, concerns about the ability of North American producers to deliver additional gas volumes, and the construction of new gas-fired power generation facilities, all suggest a positive outlook for natural gas prices for the foreseeable future. It appears very likely that 2001 average natural gas prices will exceed those of 2000. Summit is well positioned to take advantage of these circumstances, as the Company has the majority of its pricing exposed to market prices.

NATURAL GAS
MARKETING –
MARKETS
(percent)



■ Aggregator	16%
■ Alberta Index	19%
■ Midwest Index	39%
■ Fixed	15%
■ B.C. Index	11%

Management's Discussion and Analysis

Oil and Liquids

2000 CRUDE OIL
QUALITY
(percent)



Heavy ($< 25^{\circ}$ API)	11%
Medium ($25 - 30^{\circ}$ API)	15%
Light ($> 30^{\circ}$ API)	74%

Crude oil prices increased steadily throughout much of 2000 with NYMEX West Texas Intermediate (WTI) oil prices peaking at \$US37.20 per barrel and averaging \$US30.22 per barrel for the year, up 57 percent from \$US19.24 per barrel in 1999. The effect of production cuts by OPEC in 1999 carried over into 2000. Production increases by these same countries in 2000 did not have an immediate dampening effect on prices as world oil demand remained strong and product inventories were at historic lows throughout much of the year.

Continued weakness in the Canadian dollar further strengthened Canadian oil prices and consequently, Summit's realized liquids price for its' predominantly light sweet crude oil increased 61 percent to \$37.50 per barrel in 2000. The average quality of Summit's oil and liquids production in 2000 was 36° API. Hedging arrangements entered into by both Summit and Torex Resources Inc. to limit exposure to potential declines in oil prices had the effect of reducing realized oil prices by \$2.11 per barrel for the year. The Company has hedged an average of only 250 barrels per day for the first half of 2001 at an average WTI price of \$US21.72 per barrel.

While supply and demand fundamentals, low inventories and limited excess world productive capacity appear to be supporting oil prices for the near term, the future for oil prices seems much less clear than that of gas. Oil is a more global commodity than natural gas and consequently the possible effects of various factors on supply and demand are more uncertain. Current indications are, however, that oil prices will remain above the historical average for the current year and Summit remains committed to maintaining a strong oil portfolio.

POWER

Increases in demand for electricity, relative lack of recent investment in incremental power generation capacity and the transition from coal to natural gas as the marginal supplier of electricity, have all contributed to recent significant increases in the level of, and dramatic volatility in electricity prices. In Alberta this situation has been burdened with the additional complicating factor of the recent commencement of the deregulation of electricity markets. Electricity is a major component of the cost of producing oil and natural gas. While Summit's natural gas production provides a natural hedge against a portion of increases in the price of power, as power cost increases are partly offset by higher natural gas revenue, the Company is faced with electricity rates that are expected to increase significantly in 2001.

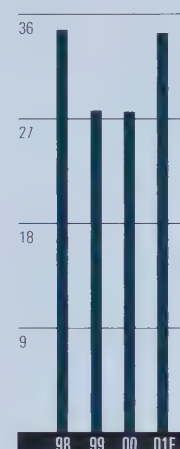
To facilitate the deregulation process, Summit has entered into a term arrangement with an electricity retailer who will assist with the transition to a competitive market and management of the Company's electricity portfolio. In addition, approximately 40 percent of Summit's production is in jurisdictions outside Alberta, where electricity deregulation has not occurred. The costs of electricity are expected to stabilize as additional generation capacity comes onstream in the coming years.

FINANCIAL RESULTS

FINANCIAL HIGHLIGHTS

(\$ thousands except where noted)	2000	1999	1998
Oil and Natural Gas Revenue	140,244	85,557	84,455
Cash Flow from Operations	75,244	41,319	34,174
Per Share – basic (\$/share)	2.30	1.24	1.02
Net Earnings (Loss)	29,852	5,825	(46,110)
Per Share – basic (\$/share)	0.91	0.17	(1.38)
Long-term Debt	94,076	64,647	98,290
Shareholders' Equity	131,330	110,443	104,612

PRODUCTION PER
100,000 SHARES
(BOE/d)



OIL AND NATURAL GAS REVENUE

Oil and natural gas revenue in 2000 was \$140.2 million, representing a 64 percent increase from \$85.6 million in 1999. Significantly higher commodity prices for both oil and natural gas combined with production additions gave rise to this positive result.

REVENUE DISTRIBUTION

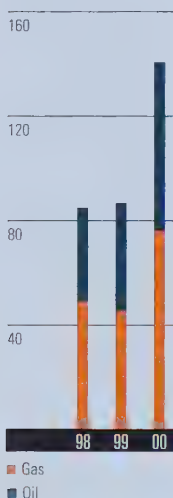
(\$ thousands except where noted)	2000	1999	1998
Total Revenues	140,244	85,557	84,455
Utilized by:			
Royalties	30,332	14,442	12,107
Production Costs	17,666	19,321	23,583
General and Administrative	3,873	3,537	6,133
Interest Expense	4,538	5,149	6,589
Capital and Production Taxes	3,191	1,789	1,869
Current Income Taxes	5,400	—	—
Cash Flow	75,244	41,319	34,174

Management's Discussion and Analysis

OIL AND NATURAL GAS REVENUE

(\$ thousands except where noted)	2000	1999	1998
Revenue			
Oil and NGL Revenue	64,450	39,515	35,663
Natural Gas Revenue	75,794	46,042	48,792
Total	140,244	85,557	84,455
Oil / Gas Ratio (%)	46 / 54	46 / 54	42 / 58
Product Prices			
Oil and NGL (\$/bbl)	37.50	23.25	16.46
Natural Gas (\$/Mcf)	4.70	2.71	2.33
Total (\$/BOE)	42.37	25.35	19.98

OIL AND GAS REVENUE
(\$ millions)



Oil Revenue

Oil revenue increased 63 percent from \$39.5 million in 1999 to \$64.4 million in 2000 as a result of strengthening world oil prices. West Texas Intermediate reference prices increased 57 percent to average \$US30.22 per bbl in 2000 compared to \$US19.24 in 1999. The recovery of WTI prices enabled Summit to realize an average oil price of \$37.50 per bbl in 2000, an increase of 61 percent from the 1999 price of \$23.25 per bbl.

Natural Gas Revenue

Summit realized natural gas revenue in 2000 of \$75.8 million, compared to \$46.0 million in 1999. The Company benefited from strong natural gas markets to achieve a 73 percent increase in its 2000 average realized gas price to \$4.70 per Mcf (1999 – \$2.71 per Mcf). NYMEX gas prices averaged \$US3.91 per MMBTU in 2000, an increase of 72 percent from 1999.

Market conditions to date in 2001 suggest that while realized average oil prices for the year may be slightly lower than in 2000, natural gas prices are likely to significantly exceed 2000's results.

ROYALTIES

(\$ thousands except where noted)	2000	1999	1998
Royalties			
Oil and NGL	12,280	6,425	5,555
Natural Gas	18,052	8,017	6,552
Total	30,332	14,442	12,107
Royalty Percentage of Sales (%)			
Oil and NGL	19.0	16.5	15.8
Natural Gas	23.8	17.4	13.4
Total	21.6	17.0	14.4

Royalty expense, net of ARTC, increased 110 percent in 2000 to \$30.3 million from \$14.4 million in 1999. Royalties as a percentage of sales increased for both oil and natural gas during 2000.

In Canada, a large portion of the increase in royalty rates is attributable to sliding scale royalty calculations which impute higher royalty rates as commodity prices increase. The impact of sliding scale calculations is less significant for Summit's oil properties as a large portion of oil revenue is generated in the United States, where royalties are calculated at a fixed rate.

Royalty rates are expected to remain at similar levels in 2001 as sliding scale royalty calculations result in maximum royalty rates at current commodity price levels.

PRODUCTION COSTS

(\$ thousands except where noted)	2000	1999	1998
Production Costs			
Oil and NGL	11,359	9,722	12,355
Natural Gas	6,307	9,599	11,228
Total	17,666	19,321	23,583
Unit Costs			
Oil and NGL (\$/bbl)	6.65	5.80	5.78
Natural Gas (\$/Mcf)	0.39	0.56	0.54
Total (\$/BOE*)	5.34	5.73	5.58

*1 BOE = 10 Mcf (See page 46 for 6:1 BOE data)

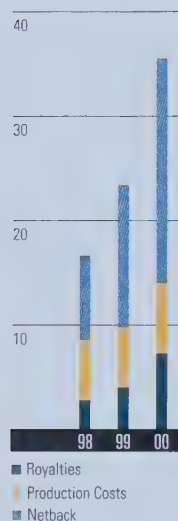
Summit's production costs decreased 8 percent in 2000 to \$17.7 million (1999 – \$19.3 million). On a unit basis, production costs decreased from \$5.73 per BOE in 1999 to \$5.34 per BOE in 2000. The decrease in unit production costs is consistent with production additions in 2000 and the full impact of the disposal of high cost properties in British Columbia.

Production costs for the Company's properties are anticipated to be negatively impacted by rising power costs which are a major cost component of oil and gas field operations. Furthermore, the current high level of industry activity has placed upward pressure on the costs of oilfield services.

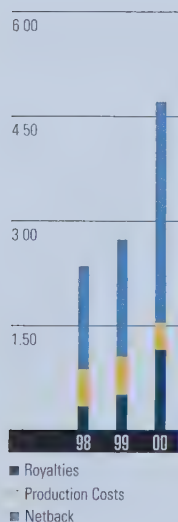
Management's Discussion and Analysis

NETBACKS

LIQUIDS NETBACK (\$/bbl)



NATURAL GAS NETBACK (\$/mcf)



	2000	1999	1998
Oil and NGL (\$/bbl)			
Revenue	39.61	23.84	16.46
Hedging	(2.11)	(0.59)	—
Royalties	(7.19)	(3.83)	(2.60)
Production Costs	(6.65)	(5.80)	(5.78)
Netback	23.66	13.62	8.08
Natural Gas (\$/Mcf)			
Revenue	4.71	2.71	2.33
Brokerage/Hedging	(0.01)	—	—
Royalties	(1.13)	(0.48)	(0.31)
Production Costs	(0.39)	(0.56)	(0.54)
Netback	3.18	1.67	1.48
Total Netback (\$/BOE*)			
Revenue	43.48	25.67	19.98
Brokerage/Hedging	(1.11)	(0.32)	—
Royalties	(9.16)	(4.28)	(2.86)
Production Costs	(5.34)	(5.73)	(5.58)
Netback	27.87	15.34	11.54

*1 BOE = 10 Mcf (See page 46 for 6:1 BOE data)

Summit's balanced production profile between oil and natural gas enabled the Company to realize the benefits of strength in prices for both oil and natural gas in 2000. Higher prices resulted in an increase in the Company's overall netback by 82 percent to \$27.87 per BOE in 2000. Strong prices and stable production costs offset increased royalty rates for a 74 percent increase in the netback on liquids production (\$23.66 per bbl) and a 90 percent increase in the netback on natural gas production (\$3.18 per Mcf) in 2000.

GENERAL AND ADMINISTRATIVE EXPENSES

(\$ thousands except where noted)	2000	1999	1998
General and Administrative Expenses (gross)	7,603	6,600	10,451
Overhead Recoveries	(3,730)	(3,063)	(4,318)
General and Administrative Expenses (net)	3,873	3,537	6,133
Unit Net General and Administrative Expenses (\$/BOE*)	1.17	1.05	1.45

*1 BOE = 10 Mcf (See page 46 for 6:1 BOE data)

General and administrative expenses were \$3.9 million in 2000, representing a 10 percent increase from \$3.5 million in 1999. General and administrative costs on a per unit basis increased in 2000 to \$1.17 as a result of hiring additional staff to meet the exploration and development plans of the Company.

Throughout 2000 and 2001, Summit has actively recruited qualified technical personnel to contribute to the Company's accelerated exploration and development program. As a result of higher staff levels through 2001, total general and administrative expenses will increase.

INTEREST EXPENSE

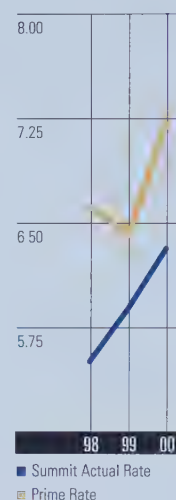
(\$ thousands except where noted)	2000	1999	1998
Interest Expense	4,538	5,149	6,589
Average Interest Rate – Summit (%)	6.3	5.9	5.5
Unit Interest Expense (\$/BOE*)	1.37	1.52	1.56
Interest Coverage Ratio (times)	18.8	9.0	6.2

*1 BOE = 10 Mcf (See page 46 for 6:1 BOE data)

Summit's interest expense decreased 12 percent from \$5.1 million in 1999 to \$4.5 million in 2000. The saving in interest costs is consistent with the Company's reduced long-term debt position which averaged 17 percent lower during 2000 than in 1999. While overall interest rates increased in Canada in 2000, Summit's average interest rate of 6.3 percent in 2000 remained below the average prime interest rate of 7.2 percent.

Based on Summit's current financing arrangements, the Company's average interest rate will continue to be below the average prime lending rate in 2001. While Summit's present long-term debt has increased, reflecting the costs of acquiring Torex Resources Inc., debt is not expected to increase in 2001 as Summit's capital program will be funded from available cash flow.

INTEREST
RATE ANALYSIS
(percent)



CAPITAL AND PRODUCTION TAXES

(\$ thousands except where noted)	2000	1999	1998
Production and Severance Taxes	2,407	1,393	1,073
Capital Taxes	784	396	796
Total	3,191	1,789	1,869
Unit Capital and Production Taxes (\$/BOE*)	0.96	0.53	0.44

*1 BOE = 10 Mcf (See page 46 for 6:1 BOE data)

Production and severance taxes are incurred primarily on oil production, with the majority related to production in the United States. The increase in these taxes in 2000 to \$2.4 million from \$1.4 million in 1999 is consistent with increased oil revenue and specifically an increase in the portion of oil revenue which is contributed by Summit's United States properties.

Capital taxes include amounts for federal Large Corporations Tax and Saskatchewan Capital Tax. A reduction in the Large Corporations Tax was realized in 2000 as a result of a reduced capital base related to lower average debt levels. The Saskatchewan Capital Tax, which is a resource surcharge based on oil revenue generated in that province, increased in 2000 consistent with increased oil revenues, more than off-setting the reduction in the Large Corporations Tax.

Management's Discussion and Analysis

DEPLETION AND DEPRECIATION

(\$ thousands except where noted)	2000	1999	1998
Depletion Expense	22,734	20,795	28,846
Depreciation Expense	10,723	10,955	12,279
Total	33,457	31,750	41,125
Unit Depletion (\$/BOE*)	6.87	6.16	6.82
Unit Depreciation (\$/BOE*)	3.24	3.25	2.90
Total (\$/BOE*)	10.11	9.41	9.72

*1 BOE = 10 Mcf (See page 46 for 6:1 BOE data)

Depletion and depreciation increased five percent in 2000 to \$33.5 million compared to \$31.8 million in 1999. Depletion and depreciation are provided on a unit of production method based on total proved reserves with gas converted to an oil equivalent using the estimated relative heating content (6 Mcf to 1 bbl). The increase from 1999 is attributable, in part, to significant investments in land and facilities in 2000 which are expected to result in production and reserve additions in future years. The Company's depletion rate was also increased in 2000 by the accounting rules requiring an increase in depletable assets related to the purchase price for Torex Resources Inc. exceeding its tax pool balances.

Depletion and depreciation rates for 2001 will be affected by the Company's finding and development costs which are faced with upward pressure from industry competition. An overall increase in total depletion and depreciation expense is also expected in 2001 based on higher production levels.

SITE RESTORATION COSTS

The Company's estimated liability for future abandonment and site restoration is reviewed annually and a provision is made on a unit of production basis over the life of the Company's proved reserves. This accumulated provision is then offset by actual restoration and abandonment costs incurred. The total estimated liability for Summit is presently \$19.3 million with \$8.3 million recorded on the balance sheet to December 31, 2000. The provision for 2000 of \$954,000 was 3 percent higher than the \$931,000 provision in 1999.

A further increase in the annual provision for site restoration is expected in 2001 based on the anticipated increase in production volumes.

INCOME TAXES

In 2000, Summit incurred a current tax liability of \$5.4 million as cash flow exceeded available tax pool deductions. The provision for future income taxes in 2000 was \$11.0 million, which represents a total effective tax rate of 35 percent. The Company is able to utilize loss carry-forwards to entirely offset taxable income in the United States, thereby reducing the effective tax rate on consolidated earnings.

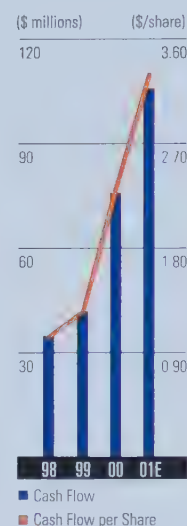
It is expected that the Company will not incur any current income taxes in 2001.

Summit has the following remaining tax pools to apply against income in future years:

Tax Pools

(\$ thousands)		Annual Rate of Claim
Canada		
Canadian Exploration Expense	3,992	100%
Canadian Development Expense	30,947	30%
Canadian Oil and Gas Property Expenses	55,109	10%
Undepreciated Capital Costs	37,633	20 to 30%
Non Capital Losses	1,792	100%
United States		
Depletables	61,046	Unit of Production
Depreciables	12,755	Unit of Production
Intangible Drilling Costs	8,266	20%
Net Operating Losses	20,867	100%

CASH FLOW



CASH FLOW FROM OPERATIONS AND NET EARNINGS

(\$ thousands except where noted)	2000	1999	1998
Cash Flow	75,244	41,319	34,174
Per Share – basic (\$/share)	2.30	1.24	1.02
Net Earnings (Loss)	29,852	5,825	(46,110)
Per Share – basic (\$/share)	0.91	0.17	(1.38)

Cash flow increased 82 percent in 2000 to \$75.2 million (1999 – \$41.3 million). Increased commodity prices resulted in higher revenues compared to 1999 which offset slightly lower barrel of oil equivalent production. Lower production costs and reduced interest costs more than offset slightly higher general and administrative costs resulting in increased cash flow in 2000 compared to the prior year.

Summit's net earnings were \$29.9 million in 2000 compared to net earnings of \$5.8 million in 1999.

Management's Discussion and Analysis

RESULTS BY QUARTER

Period Ended December 31, 2000

(\$ thousands except where noted)	Q1	Q2	Q3	Q4	Total
Oil and NGL Production (bbls/d)	4,287	4,665	4,603	5,109	4,667
Natural Gas Production (MMcf/d)	40.7	42.7	43.6	48.1	43.8
Total Production (BOE/d)	8,355	8,933	8,963	9,917	9,044
Revenues	25,485	31,710	35,950	47,099	140,244
Royalties	5,213	6,291	7,770	11,058	30,332
Production Costs	4,073	3,472	5,043	5,078	17,666
Cash Flow	13,414	19,064	20,400	22,366	75,244
Cash Flow per Share (\$/share)	0.40	0.58	0.62	0.70	2.30
Net Earnings	3,994	7,389	7,836	10,633	29,852
Net Earnings per Share (\$/share)	0.12	0.22	0.24	0.33	0.91

Period Ended December 31, 1999

(\$ thousands except where noted)	Q1	Q2	Q3	Q4	Total
Oil and NGL Production (bbls/d)	4,954	4,737	4,452	4,225	4,589
Natural Gas Production (MMcf/d)	48.2	45.4	49.6	43.1	46.6
Total Production (BOE/d)	9,773	9,277	9,410	8,535	9,246
Revenues	17,423	19,891	24,067	24,176	85,557
Royalties	2,602	2,780	3,772	5,288	14,442
Production Costs	4,826	4,828	5,223	4,444	19,321
Cash Flow	7,323	9,409	12,372	12,215	41,319
Cash Flow per Share (\$/share)	0.22	0.28	0.37	0.37	1.24
Net Earnings (Loss)	(161)	755	2,360	2,871	5,825
Net Earnings (Loss) per Share (\$/share)	—	0.02	0.07	0.08	0.17

FINANCIAL POSITION

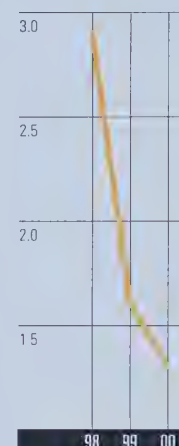
LONG-TERM DEBT

Maintaining financial flexibility continued to be a critical area of focus for Summit in 2000. Through a \$10.4 million reduction in long-term debt to \$54.2 million at July 31, 2000 from \$64.6 million at December 31, 1999, Summit was in a strong position to be able to undertake the \$46 million cash acquisition of Torex Resources Inc. in August. Summit's debt to cash flow ratio at December 31, 2000 was 1.3 times 2000 cash flow, which is substantially lower than historical levels. Summit maintains an objective of limiting debt to cash flow to approximately 1.0 times in periods of high commodity prices and 2.0 times in low price environments. Summit's current debt position provides the flexibility to pursue further exploration, development and acquisition opportunities in the year 2001 and beyond.

A portion of the Company's debt continues to be in the form of Senior Notes, which are privately placed with United States institutional investors. The Senior Notes mature on April 25, 2005 with payments structured through five equal installments commencing February 2001. The February 2001 installment was rescheduled at the option of the Company from April 25, 2006, utilizing our available bank loan facility. Foreign exchange swap arrangements have fixed the repayment of the principal amount of the Notes at their carrying value in Canadian dollars (\$38.0 million).

The remainder of the Company's debt is held by a major Canadian chartered bank in the form of an extendible revolving credit facility. No principal repayments are required on this facility in 2001.

DEBT TO CASH
FLOW RATIO
(times)



SHARE CAPITAL

Summit's common shares continued to trade in low volumes as the investment community continued to display a lack of interest in resource stocks in general and junior companies such as Summit in particular. A total of 6.3 million shares traded in 2000 at prices ranging from \$1.90 to \$5.00. The closing price of Summit's stock at December 31, 2000 was \$4.60 representing 2.0 times trailing annual cash flow.

During the year the Company also purchased 1.6 million common shares at an average price of \$3.69 under a Normal Course Issuer Bid. It is Summit's intention to renew its Normal Course Issuer Bid to allow for the purchase of an additional 5 percent of outstanding common shares upon expiration of the current bid in April 2001.

BUSINESS RISKS

BUSINESS AND ENVIRONMENTAL RISKS

Summit's ability to meet its objective of maximizing shareholder value and ultimate financial viability is influenced by a number of factors, the most basic of which is the Company's ability to find or acquire oil and gas reserves and produce them efficiently. Summit's commitment to full cycle exploration maximizes our chance of success by broadening our scope to include all aspects of land and prospect evaluation, exploration and development, marketing and risk management and core asset focus.

A number of risk factors must be considered in this process including:

- The oil and gas industry is capital intensive and recurring production expenses are a significant cash outflow while capital resources are constrained. Efficient finding and on-stream and production costs are critical success factors. Summit applies rigorous economic criteria and cost control to each of its projects and the Company's debt burden is limited to ensure financial flexibility.
- Key performance factors including production volumes, cash flow, finding costs and product netbacks are very sensitive to changing industry, operating, and market conditions and are, therefore, susceptible to rapid changes. Summit has in place comprehensive reporting, analysis and evaluation systems to manage and, wherever possible, anticipate and react to such changes.
- The prices received by the Company for its commodities are highly volatile and are influenced by many factors which are beyond Summit's control including global supply and demand conditions, world-wide political events, weather, and exchange rate fluctuations. Summit's Board of Directors have established guidelines for the Company's risk management strategies which allow the Company to enter into financial transactions to mitigate price risk and establish more certainty for its cash flow streams. The Company also maintains a balanced portfolio of sales contracts for its production to reduce exposure to short-term market fluctuations.
- The oil and gas industry in North America is highly competitive. Summit must compete with other industry participants for qualified personnel, financing, new acreage, drilling equipment, the services of oil and gas service companies, well equipment, commodity sales contracts and transportation capacity. Our Company focuses its activities within select core areas where its experience and expertise should provide a competitive advantage. We utilize the latest technology and employ the most skilled, highly trained, motivated individuals in each of the Company's disciplines.

ENVIRONMENTAL PERFORMANCE

The regulatory environment in which the Company operates is becoming increasingly complex and the costs and potential effects of non-compliance are ever-increasing. Furthermore, industry in general, and specifically the oil and gas industry, are faced with increasing concerns regarding the environmental impact of corporate operations.

Summit's Board of Directors has approved, and Management has implemented, a comprehensive set of environmental and safety policies. A safety awareness and training program has been established for all employees and contractors and the Company has developed a safety procedures manual and emergency response plan to deal with situations which may jeopardize the environment or public safety. Regular third party reviews of all Summit's operated properties are conducted with respect to environmental and safety concerns. Corporate insurance arrangements are in place to protect the Company against losses due to disruption or accidents.

Summit is committed to acting responsibly with respect to the environment wherever we operate and our control procedures and policies are in compliance with the Environmental Code of Practice published by the Canadian Association of Petroleum Producers.

2001 Estimates

Summit's expected results for 2001 are dependent upon economic conditions such as commodity prices and foreign exchange rates which are beyond Management's control. The Company's ability to achieve production estimates will be impacted by the success of its drilling program and capital projects for property development. The following table quantifies the sensitivity of Management's estimates for 2001 to fluctuations in factors which are uncertain. These 2001 estimates yield projected production of 11,000 BOE/d (5,200 bbls/d of oil and 58 MMcf/d of gas) and cash flow of \$108 million (\$3.37 per share).

SENSITIVITY ANALYSIS

Variable	2001 Estimate	Variation	Cash Flow Impact	
			\$ thousands	\$/share
Oil Production – bbls/d	5,200	100	700	0.02
Natural Gas Production – MMcf/d	58	1,000	1,500	0.05
Oil Prices – WTI \$US/bbl	25.00	1.00	2,250	0.07
Natural Gas Prices – Corp. Avg. \$/Mcf	6.50	0.10	1,600	0.05
Exchange Rate (\$US/\$CAD)	0.67	0.01	2,350	0.07

Management's Report

The accompanying consolidated financial statements and all information in the annual report are the responsibility of Management. The consolidated financial statements have been prepared by Management in accordance with the accounting policies described in the notes to the consolidated financial statements. In the opinion of Management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information contained elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management has developed and maintains systems of internal accounting controls, policies and procedures in order to provide reasonable assurance as to the reliability of the financial records and the safeguard of assets.

External auditors, appointed by the shareholders of the Company, have examined the consolidated financial statements and have expressed an opinion on the statements. Their report is included with the consolidated financial statements.

The Board of Directors of the Company has established an Audit Committee, consisting of non-management directors, to review these statements with Management and the auditors. The auditors also conduct timely reviews of the Company's quarterly financial statements. The Board of Directors has approved the consolidated financial statements on the recommendation of the Audit Committee.



Donald J. Nelson, P. Eng.
President



Cameron R. Sebastian, CA
Vice President, Finance and Chief Financial Officer

*Calgary, Canada
February 28, 2001*

Auditors' Report

TO THE SHAREHOLDERS OF SUMMIT RESOURCES LIMITED

We have audited the consolidated balance sheets of Summit Resources Limited as at December 31, 2000 and 1999 and the consolidated statements of earnings and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

*Calgary, Canada
February 28, 2001*

Consolidated Balance Sheets

AS AT DECEMBER 31

2000

1999

(\$ thousands)

ASSETS

Current Assets

Accounts Receivable

\$ 18,290

\$ 9,548

Capital Assets (Note 3)

301,456

211,898

\$ 319,746

\$ 221,446

LIABILITIES

Current Liabilities

Accounts Payable and Accrued Liabilities

\$ 21,674

\$ 10,925

Income Taxes Payable (Note 7)

5,400

—

27,074

10,925

Long-term Debt (Note 4)

94,076

64,647

Other Liabilities (Note 6)

9,400

8,718

Future Income Taxes (Note 7)

57,866

26,713

188,416

111,003

SHAREHOLDERS' EQUITY

Capital (Note 8)

151,081

161,193

Deficit

(19,751)

(50,750)

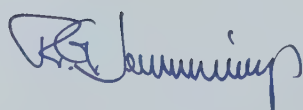
131,330

110,443

\$ 319,746

\$ 221,446

Approved by the Board of Directors



Director



Director

Consolidated Statements of Earnings

YEAR ENDED DECEMBER 31

2000

1999

(\$ thousands except per share amounts)

REVENUE

Oil and Natural Gas	\$ 140,244	\$ 85,557
Royalties	(30,332)	(14,442)
	109,912	71,115

EXPENSES

Production	17,666	19,321
General and Administrative	3,873	3,537
Interest on Long-term Debt	4,538	5,149
Capital and Production Taxes	3,191	1,789
Depletion and Depreciation	33,457	31,750
Provision for Future Site Restoration Costs	954	931
	63,679	62,477

Earnings before Income Taxes	46,233	8,638
------------------------------	---------------	-------

Income Taxes (Note 7)

Current	5,400	—
Future	10,981	2,813
	16,381	2,813

NET EARNING (LOSS)

Deficit at Beginning of Year	(50,750)	(56,575)
Change in Accounting Policy (Note 7)	1,147	—

DEFICIT AT END OF YEAR	\$ (19,751)	\$ (50,750)
-------------------------------	--------------------	-------------

EARNINGS PER SHARE (Note 1 (d))

— Basic	\$ 0.91	\$ 0.17
— Diluted	\$ 0.90	\$ 0.17

Consolidated Statements of Cash Flows

YEAR ENDED DECEMBER 31

2000

1999

(\$ thousands except per share amounts)

CASH PROVIDED BY (USED FOR)

Operating Activities

Net Earnings	\$ 29,852	\$ 5,825
Items not Involving Cash		
Depletion and Depreciation	33,457	31,750
Provision for Future Site Restoration Costs	954	931
Future Income Taxes	10,981	2,813
Cash Flow from Operations	75,244	41,319
Change in Other Liabilities and Non-Cash Working Capital (Note 6)	(509)	1,561
	74,735	42,880

Financing Activities

Issue of Common Shares	310	6
Purchase of Common Shares	(5,862)	—
Borrowings (Repayments) of Long-term Debt	29,429	(33,643)
	23,877	(33,637)

CASH GENERATED

\$ 98,612 \$ 9,243

Investing Activities

Exploration and Development of Petroleum and Natural Gas Properties	\$ (45,211)	\$ (17,706)
Acquisition of Petroleum and Natural Gas Properties	(52,221)	(5,121)
Disposition of Petroleum and Natural Gas Properties	617	11,526
Decrease in Non-Cash Working Capital	7,147	2,058
Corporate Assets	(8,944)	—

CASH INVESTED

\$ (98,612) \$ (9,243)

CASH FLOW FROM OPERATIONS

PER SHARE (Note 1(d))

— Basic	\$ 2.30	\$ 1.24
— Diluted	\$ 2.26	\$ 1.23

Notes to the Consolidated Financial Statements

(tabular dollar amounts in thousands)

1. ACCOUNTING POLICIES

The consolidated financial statements have been prepared by Management in accordance with generally accepted accounting principles in Canada. The preparation of financial statements in conformity with generally accepted accounting principles requires Management to make estimates and assumptions that affect the amounts recorded in the financial statements and accompanying notes. Actual results could differ from these results. The consolidated financial statements have, in Management's opinion, been properly prepared using careful judgement within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries: Summit Resources Inc., Summit Resources (Acquisitions) Limited, 910083 Alberta Ltd. and Torex Resources Inc.

b) Petroleum and Natural Gas Operations

The Company follows the full cost method of accounting whereby all costs associated with the exploration for and development of petroleum and natural gas reserves are capitalized on a country-by-country basis, currently Canada and the United States. Such costs include land acquisition costs, geological and geophysical costs, lease rental costs on non-producing properties, costs of both productive and unproductive drilling and production equipment. Gains or losses are not recognized upon disposition of petroleum and natural gas properties unless crediting the proceeds against accumulated costs would result in a change in the depletion rate of 20 per cent or more.

The accumulated costs in a cost center from which there is production, less the costs of acquisition of unproved properties, are depleted and depreciated using the unit of production method based on total proved reserves before royalties. Natural gas reserves and production are converted into equivalent barrels of oil based upon the estimated relative energy content.

The costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of impairment is added to the costs subject to depletion.

The net carrying cost of the Company's petroleum and natural gas properties in a cost center is limited to an estimated recoverable amount being the aggregate of future net revenues from proved reserves, less future capital costs and the costs of unproved properties, net of impairment allowances. The total net carrying costs of all cost centers is further limited by the above estimated recoverable amount less future site restoration costs, general and administrative costs, financing costs and income taxes. Future net revenues have been calculated using prices and costs in effect at the Company's year-end without escalation or discounting.

Substantially all of the exploration, development and production activities of the Company are conducted jointly with others. These financial statements reflect only the Company's proportionate interest in such activities.

c) Future Site Restoration Costs

Estimated future site restoration costs are provided for using the unit of production method based on total proved reserves before royalties. Costs are estimated by the Company's engineers based on current regulations, costs, technology and industry standards. The annual charge is included in the calculation of net earnings and removal and site restoration expenditures are charged to the accumulated provision as incurred.

Notes to the Consolidated Financial Statements

d) Per Share Information

The Canadian Institute of Chartered Accountants has approved a new standard for the computation, presentation and disclosure of earnings per share. The Company has retroactively adopted the new standard effective December 31, 2000. Under the new standard, the treasury stock method is used instead of the imputed earnings method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only "in the money" dilutive instruments impact the diluted calculations. In computing diluted earnings and cash flow from operations per share, 706,865 net shares were added to the weighted average number of common shares outstanding during the year ended December 31, 2000 (1999 – 141,236 net shares) for the dilutive effect of employee stock options. No adjustments were required to reported earnings or cash flow from operations in computing diluted per share amounts. There was no impact on diluted earnings or cash flow from operations per share for 1999 or 2000 as a result of this change in accounting policy. A total of 400,000 (1999 – 919,000) options were excluded from the diluted calculations as they were anti-dilutive.

e) Foreign Currency Translation

Monetary assets and liabilities denominated in a foreign currency are translated at the rate of exchange in effect at year end while non-monetary assets and liabilities are translated at historical rates of exchange. Revenues and expenses are translated at monthly average rates of exchange. Translation gains and losses are included in earnings except for unrealized gains and losses on long-term monetary items which are deferred and amortized to earnings over their remaining term.

f) Financial Instruments

The Company periodically enters into derivative financial instrument contracts to manage exposures related to interest rates, foreign currency exchange rates and oil and natural gas prices. Amounts received or paid under interest rate swaps are recognized in interest expense, while settlement amounts on commodity and foreign currency hedge contracts are recognized in earnings as the related production revenues are recorded (See Note 5).

g) Income Taxes

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse.

h) Stock Option Plans

The Company has a stock option plan. No amount is recorded as an expense when options are issued under the plan. Consideration received upon exercise of options is included in share capital.

2. ACQUISITION OF TOREX RESOURCES INC.

Effective September 1, 2000 Summit acquired all of the outstanding shares of Torex Resources Inc. The acquisition was accounted for using the purchase method with the purchase price allocated as follows:

Assets	
Petroleum and Natural Gas Properties (including future income tax effect of \$16,758)	\$ 62,739
Liabilities	
Long-term Debt	11,020
Working Capital Deficiency	49
Future Site Restoration Liability	528
Future Income Taxes	16,758
	28,355
Net Assets Acquired	\$ 34,384
Consideration	
Cash	\$ 34,384

3. CAPITAL ASSETS

	2000	1999
Petroleum and Natural Gas Rights Including	\$ 523,614	\$ 436,698
Exploration and Development Thereon		
Production Equipment and Facilities	164,577	137,909
Corporate Assets	15,460	6,030
	703,651	580,637
Accumulated Depletion and Depreciation	(402,195)	(368,739)
	\$ 301,456	\$ 211,898

As at December 31, 2000, Capital Assets include \$28.8 million (1999 – \$18.9 million) related to unproved properties. Included in this amount is \$8.1 million (1999 – \$8.5 million) related to U.S. unproved properties. These costs are excluded from depletion calculations until such time as the properties are evaluated.

4. LONG-TERM DEBT

	2000	1999
Bank Loan	\$ 56,076	\$ 26,647
Senior Notes	38,000	38,000
	\$ 94,076	\$ 64,647

a) Bank Loan

The Company has an Extendible Revolving Term Credit Facility with a major Canadian chartered bank in the amount of \$110 million at December 31, 2000. Available borrowings are subject to a semi-annual review of the Company's oil and gas borrowing base as determined by the bank, less the outstanding principal under the Senior Notes. The bank has agreed that no principal repayments will be required during 2001 under the facility providing the Company continues to satisfy the provisions of the credit agreement. Borrowings under the facility bear interest at the bank's prime lending rate, bankers' acceptance or LIBOR rates plus applicable margins, ranging from 75 to 125 basis points. Advances drawn on the facility are secured by a floating charge debenture and a general security agreement.

Notes to the Consolidated Financial Statements

b) Senior Notes

The Senior Notes are repayable annually in five equal installments of \$US 6 million (\$Cdn 9.0 million) with interest payable semi-annually, in arrears, until maturity. The first payment was made on February 27, 2001 utilizing the Company's available bank loan facility and consequently has been classified as long-term. This installment was rescheduled, at the option of the Company, from April 25, 2006. The subsequent four installments are scheduled to be made annually commencing on April 25, 2002. Security on the Senior Notes ranks equally with the Company's bank loan and includes a floating charge debenture and general assignment of accounts receivable.

c) Interest Payments

During 2000, the Company paid \$4.3 million (1999 – \$5.7 million) of interest on long-term debt.

5. FINANCIAL INSTRUMENTS

Certain financial instruments used to manage the Company's exposure to interest rates, foreign currency exchange rate fluctuations and commodity prices were outstanding at December 31, 2000 and 1999.

a) Interest Rate and Foreign Exchange Swaps

Interest rate swap arrangements have converted the fixed interest rate on the Senior Notes to a floating rate that fluctuates with the Canadian Bankers' Acceptance rate plus a margin of 79.5 basis points. Further foreign exchange swap arrangements have fixed the repayment of the principal amount of the Senior Notes at \$38 million. The estimated fair value of the interest rate swap arrangement at December 31, 2000 was a \$0.3 million gain (1999 – \$1.4 million loss). The estimated fair value of the foreign exchange swap arrangement at December 31, 2000 was a \$4.0 million gain (1999 – \$2.3 million gain).

b) Commodity Price Contracts

As at December 31, 2000 the Company had the following commodity price contracts in place:

Average Volume	Expiry	Fixed Price	Unrealized Loss
250 bbls/d	March 31 – June 30, 2001	\$US 21.35 – \$US 23.17	\$346

Unrealized losses are calculated based on prices prevailing at December 31, 2000.

c) Credit Risk

The Company is exposed to credit risk from financial instruments to the extent of non-performance by third parties, and non-performance by counterparties to swap agreements. The Company minimizes credit risk associated with swap agreements by entering into contracts with only highly rated counterparties and controls third party credit risk with credit approvals, limits on exposures to any one counterparty, and monitoring procedures. The Company sells production to a range of purchasers under normal industry sale and payment terms. The Company's accounts receivable are with customers and joint venture partners in the petroleum and natural gas industry and are subject to normal credit risks.

d) Alliance Pipeline Supply Contract

The Company has entered into an agreement with Alliance Pipeline Limited Partnership to supply 15 million cubic feet of gas per day until 2015 into the Alliance Pipeline for export to United States markets.

6. OTHER LIABILITIES

	2000	1999
Provision for Future Site Restoration	\$ 8,319	\$ 7,245
Deferred Revenue	1,081	1,473
	\$ 9,400	\$ 8,718

7. FUTURE INCOME TAXES

The Company changed its policy on accounting for income taxes in accordance with revisions to Canadian Generally Accepted Accounting Principles. Effective January 1, 2000 the liability method was adopted; prior thereto, the Company had followed the deferral method. The new method was applied retroactively without restatement of prior period financial statements. At January 1, 2000, the future tax liability was increased by \$3,413,000, share capital was reduced by \$4,560,000 and deficit was decreased by \$1,147,000. These adjustments were a result of the future tax cost recognition of the impact of the issue of flow-through shares and corporate acquisitions. There was no effect on the Company's financial results for 2000 as a result of the adoption of this policy.

The income tax provision differs from the expected amount calculated by applying the Canadian combined federal and provincial corporate tax rate to earnings before income taxes. The major components of these differences are as follows:

	2000	1999
Earnings before Income Taxes	\$ 46,233	\$ 8,638
Canadian Corporate Tax Rate	44.6%	44.6%
Calculated Income Tax Provision	\$ 20,620	\$ 3,852
Add (Deduct)		
Non-deductible Crown Charges	10,797	4,807
Federal Resource Allowance	(9,787)	(4,683)
Non-deductible Portion of Depletion	—	592
Foreign Tax Rate Differential	(711)	—
Benefit of Accounting Losses Previously Unrecognized	(4,455)	(1,796)
Other	(83)	41
	\$ 16,381	\$ 2,813

The components of the net future income tax liability at December 31, 2000 are as follows:

Future Income Tax Liabilities	
Property Plant and Equipment	\$ 61,688
Future Income Tax Assets	
Future Site Restoration	(3,822)
United States Capital Assets	28,935
Valuation Adjustment	(28,935)
Net Future Income Tax Liability	\$ 57,866

Notes to the Consolidated Financial Statements

8. CAPITAL

a) Authorized

Authorized share capital consists of an unlimited number of common shares without par value.

b) Issued and Outstanding

The following is a summary of changes in capital during the two years ended December 31, 2000:

	Number of Shares	Amount
Common Shares		
Balance, December 31, 1998	33,413,806	\$ 161,187
Exercise of Stock Options, for Cash	3,554	6
Balance, December 31, 1999	33,417,360	161,193
Future Income Tax Adjustment (Note 7)	—	(4,560)
Shares Acquired under Normal Course Issuer Bid	(1,588,186)	(7,437)
Exercise of Stock Options, for Cash	146,764	310
Balance, December 31, 2000	31,975,938	\$ 149,506
Contributed Surplus		
Shares Acquired under Normal Course Issuer Bid		
— excess of net book value over purchase price	—	1,575
Balance, December 31, 2000	31,975,938	\$ 151,081

On April 3, 2000, the Company announced its intention, pursuant to a Normal Course Issuer Bid, to purchase up to 5 percent of its issued and outstanding common shares. During 2000, the Company acquired 1,588,186 common shares (4.6 percent) at an average cost of \$3.69 per share.

Contributed Surplus arose as a result of the purchase and cancellation of common shares acquired at a cost less than their net book value; the difference being recorded as Contributed Surplus.

c) Shares Reserved For Issuance

Employee Stock Option Plans The Company has reserved 2,800,000 common shares pursuant to the Incentive Stock Option Plan and 1,400,000 common shares pursuant to the Share Incentive Plan – 1996. Options granted under the Plans will be for a five-year period, and are available to employees, officers and directors of the Company. Options granted vest daily on a pro-rata basis and become exercisable equally over a four-year period. Stock option transactions for the respective years were as follows:

	2000		1999	
	Number of Options (thousands)	Weighted Average Exercise Price (\$/share)	Number of Options (thousands)	Weighted Average Exercise Price (\$/share)
Outstanding, January 1	1,508	\$ 3.18	1,423	\$ 4.79
Granted	1,065	2.76	679	1.76
Exercised	(146)	2.11	(4)	1.60
Cancelled	(558)	3.75	(590)	5.43
Outstanding, December 31	1,869	\$ 2.85	1,508	\$ 3.18
Exercisable, December 31	678	\$ 3.05	555	\$ 4.20

The following table summarizes stock options outstanding and exercisable under the Plans at December 31, 2000.

Exercise Price	Outstanding Options			Exercisable Options	
	Number of Options (thousands)	Weighted Avg. Remaining Life (months)	Weighted Avg. Exercise Price (\$/share)	Number of Options (thousands)	Weighted Avg. Exercise Price (\$/share)
\$ 5.00 to \$ 7.35	165	19	\$ 5.44	138	\$ 5.52
\$ 3.76 to \$ 4.99	235	47	4.14	19	4.16
\$ 2.50 to \$ 3.75	481	29	3.03	223	2.95
\$ 1.51 to \$ 2.49	988	37	2.03	298	1.91
\$ 1.51 to \$ 7.35	1,869	35	\$ 2.85	678	\$ 3.05

9. SEGMENTED INFORMATION

The Company has operations in Canada and the United States. The Company's operations are substantially all related to exploration, development and production of oil and natural gas.

2000	Canada	United States	Total
Oil and Natural Gas Revenue	\$ 117,583	\$ 22,661	\$ 140,244
Expenses			
Royalties	26,562	3,770	30,332
Production	13,575	4,091	17,666
Capital and Production Taxes	1,332	1,859	3,191
Depletion and Depreciation	31,759	1,698	33,457
Provision for Future Site Restoration Costs	810	144	954
Segment Profit	43,545	11,099	54,644
Corporate Expenses			
General and Administrative			3,873
Interest on Long-term Debt			4,538
Income Taxes			16,381
Net Earnings			\$ 29,852
Segment Assets, net	\$ 280,475	\$ 29,171	\$ 309,646
Other Assets			10,100
Total Assets			\$ 319,746
Expenditures for Segment Capital Assets	\$ 46,928	\$ 3,906	\$ 50,834
Acquisition of Torex Resources Inc.	45,981	—	45,981
Other Assets			8,944
Total Expenditures for Capital Assets			\$ 105,759

1999	Canada	United States	Total
Oil and Natural Gas Revenue	\$ 71,914	\$ 13,643	\$ 85,557
Expenses			
Royalties	12,180	2,262	14,442
Production	15,839	3,482	19,321
Capital and Production Taxes	693	1,096	1,789
Depletion and Depreciation	29,006	2,744	31,750
Provision for Future Site Restoration Costs	790	141	931
Segment Profit	13,406	3,918	17,324
Corporate Expenses			
General and Administrative			3,537
Interest on Long-term Debt			5,149
Income Taxes			2,813
Net Earnings			\$ 5,825
Segment Assets, net	\$ 194,389	\$ 26,149	\$ 220,538
Other Assets			908
Total Assets			\$ 221,446
Expenditures for Segment Capital Assets	\$ 10,448	\$ 819	\$ 11,267
Other Assets			34
Total Expenditures for Capital Assets			\$ 11,301

Five Year Review

YEAR ENDED DECEMBER 31	2000	1999	1998	1997	1996
Financial (\$ thousands except per share amounts)					
Oil and Natural Gas Revenue	140,244	85,557	84,455	100,853	91,140
Cash Flow From Operations	75,244	41,319	34,174	50,817	50,006
Per Share – basic	2.30	1.24	1.02	1.51	1.46
Net Earnings (Loss)	29,852	5,825	(46,110)	(30,944)	7,451
Per Share – basic	0.91	0.17	(1.38)	(0.92)	0.22
Capital Expenditures					
Exploration and Development	45,211	17,672	37,568	63,878	41,618
Acquisitions (net of dispositions)	60,548	(6,371)	(18,791)	24,248	25,853
	105,759	11,301	18,777	88,126	67,471
Long-term Debt	94,076	64,647	98,290	125,098	67,833
Shareholders' Equity	131,330	110,443	104,612	150,367	190,382
Operations					
Production					
Oil – Total (Mbbbls)	1,708	1,675	2,136	2,243	2,089
– Per Day (bbls)	4,667	4,589	5,852	6,145	5,707
Natural Gas – Total (Bcf)	16.0	17.0	20.9	22.7	22.0
– Per Day (MMcf)	43.8	46.6	57.3	62.2	60.1
Price					
Oil (\$/bbl)	37.50	23.25	16.46	23.89	25.49
Gas (\$/Mcf)	4.70	2.71	2.33	2.06	1.70
Reserves					
Oil and NGL (Mbbbls)					
Proved	11,987	11,065	12,003	14,585	12,125
Probable	4,224	3,419	5,142	5,504	5,009
Total	16,211	14,484	17,145	20,089	17,134
Natural Gas (Bcf)					
Proved	123.4	100.8	126.9	147.4	156.7
Probable	23.9	17.2	41.6	37.3	46.2
Total	147.3	118.0	168.5	184.7	203.0
Wells Drilled (gross)					
Oil	4	2	14	45	10
Gas	30	16	9	20	12
Dry	11	1	7	19	14
	45	19	30	84	36
Undeveloped Land Holdings (thousands of net acres)	384	338	461	592	496
Common Share Information					
Shares Traded (millions)	6.3	1.2	11.1	14.4	19.9
Value Traded (\$ millions)	23.5	3.4	16.6	91.1	122.9
Share Price (\$)					
High	5.00	3.45	5.35	8.00	8.88
Low	1.90	1.27	1.45	4.25	5.00
Close	4.60	2.01	1.51	4.55	6.95
Number of Shares (millions)					
Year End Outstanding	32.0	33.4	33.4	33.3	34.4
Weighted Average Outstanding	32.8	33.4	33.4	33.6	34.2

Unit Analysis

(\$/BOE based on conversion factor)	Conversion Factor: 6 to 1			Conversion Factor: 10 to 1		
	2000	1999	1998	2000	1999	1998
Financial Results						
Oil and Natural Gas Revenue	\$ 32.03	\$ 18.98	\$ 15.02	\$ 42.37	\$ 25.35	\$ 19.98
Royalties	6.93	3.20	2.15	9.16	4.28	2.86
Production Expenses	4.03	4.29	4.19	5.34	5.73	5.58
BOE Netback	\$ 21.07	\$ 11.49	\$ 8.68	\$ 27.87	\$ 15.34	\$ 11.54
General and Administrative Expenses	0.88	0.78	1.09	1.17	1.05	1.45
Interest on Long-term Debt	1.04	1.14	1.17	1.37	1.52	1.56
Capital and Production Taxes	0.73	0.40	0.33	0.96	0.53	0.44
Cash Flow from Operations	\$ 18.42	\$ 9.17	\$ 6.09	\$ 24.37	\$ 12.24	\$ 8.09
Gain on Sale of Investment	—	—	(0.44)	—	—	(0.59)
Depletion and Depreciation	7.64	7.04	7.32	10.11	9.41	9.72
Provision for Future Site Restoration Costs	0.22	0.21	0.21	0.29	0.27	0.28
Writedown of US Capital Assets	—	—	7.18	—	—	9.56
Income Taxes	3.74	0.63	0.02	4.95	0.83	0.03
Net Earnings (Loss)	\$ 6.82	\$ 1.29	\$ (8.20)	\$ 9.02	\$ 1.73	\$ (10.91)

Operations

Production

Oil and NGL (bbls/d)	4,667	4,589	5,852	4,667	4,589	5,852
Natural Gas (MMcf/d)	43.8	46.6	57.3	43.8	46.6	57.3
Total (BOE/d)	11,962	12,351	15,405	9,044	9,246	11,584

Reserves (Proved and Probable)

Oil and NGL (Mbbbls)	16,211	14,484	17,145	16,211	14,484	17,145
Natural Gas (Bcf)	147.3	118.0	168.5	147.3	118.0	168.5
Total (MBOE)	40,753	34,149	45,230	30,936	26,283	33,996

VOLUME REPORTING

Throughout this annual report, volumes expressed on a barrel of oil equivalent (BOE) basis have been calculated using a conversion ratio of ten thousand cubic feet of natural gas to one barrel of crude oil (10 to 1). The 10 to 1 conversion ratio has been utilized extensively in Canada for many years. Outside of Canada, and particularly in the United States, it is more common to convert natural gas using a 6 to 1 ratio which is based on relative heating values as measured in British Thermal Units (BTU's). In recent years, several Canadian oil and gas companies and many industry analysts have adopted the 6 to 1 conversion ratio to improve comparability between companies with operations outside of Canada. Key financial and operating data has been presented in the above table based on both conversion factors.

Corporate Information

OFFICERS

Ernest S. Rady
Chairman of the Board

Donald J. Nelson, P.Eng.
President

Gary C. Jackson
Vice President, Land

Myra Jones
Corporate Secretary

Curtis W. Labelle, P.Eng.
Vice President, Operations

Ken H. Lueers, P.Geol.
Vice President, Exploration

Cameron R. Sebastian, CA
Vice President, Finance and Chief Financial Officer

DIRECTORS

Ernest S. Rady ⁽¹⁾
Chairman of the Board, American Assets, Inc.
San Diego, California

Donald J. Nelson ⁽¹⁾
President, Summit Resources Limited
Calgary, Alberta

Frederic C. Coles
Executive Chairman, Applied Terravision Systems Inc.
Calgary, Alberta

J. Richard Harris ⁽²⁾
Professional Geologist
Calgary, Alberta

Brian S. Hirsch ⁽²⁾
Chartered Accountant
Winnipeg, Manitoba

Robert G. Jennings ⁽²⁾
President, Jennings Capital Inc.
Calgary, Alberta

Leon W. Parma
Chairman, La Jolla Capital Inc.
La Jolla, California

Harry M. Rady
Chief Investment Officer, American Assets, Inc.
San Diego, California

HEAD OFFICE

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Calgary, Alberta T2P 3N4
Phone: (403) 269-4400
Fax: (403) 269-4444

WEBSITE

www.summit-resources.com

AUDITORS

KPMG LLP, Calgary, Alberta

BANKERS

C.I.B.C., Calgary, Alberta

EVALUATION ENGINEERS

Sproule Associates Limited, Calgary, Alberta

LEGAL COUNSEL

Bennett Jones, Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Computershare Trust Company
Calgary, Alberta; Toronto, Ontario

STOCK EXCHANGE LISTING

The Toronto Stock Exchange
Trading Symbol: SU1

ANNUAL INFORMATION FORM

The Annual Information Form will be available in May 2001.
A copy may be obtained by contacting Summit's head office.

METRIC CONVERSION TABLE

To convert from:	to:	Multiply by:
thousand cubic feet (Mcf)	thousand cubic meters (103m3)	0.028174
barrels (bbls)	cubic meters (m3)	0.159000
feet (ft.)	meters (m)	0.305000
miles (mi.)	kilometers (km)	1.609000
acres	hectares (ha)	0.405000

⁽¹⁾ Member of the executive committee

⁽²⁾ Member of the audit committee

GLOSSARY OF ABBREVIATIONS AND TERMS

API	American Petroleum Institute	Bcf	billion cubic feet	MMcf	million cubic feet
ARTC	Alberta Royalty Tax Credit	m3	cubic metres	MMcf/d	million cubic feet per day
AEUB	Alberta Energy and Utilities Board	Mbbls	thousand barrels	Mstb	thousand stock tank barrels
BOE	barrels of oil equivalent (1 BOE = 10 Mcf)	Mcf	thousand cubic feet	NEB	National Energy Board of Canada
bbl	barrel	Mcf/d	thousand cubic feet per day	NGL	natural gas liquids
bbls	barrels	MMbbls	million barrels	Tcf	trillion cubic feet
bbls/d	barrels per day	MMBOE	millions of barrels of oil equivalent	WTI	West Texas Intermediate
Bbbls	billion barrels	MMbtu	million British thermal units		

Summit Staff

The following individuals contributed to Summit's excellent financial and operating results this year.

OPERATIONS

Phil Besler
Sandra Brown
Bruce Cawston
Glenna Jefferies
Duane Jenkins
David Keenan
Pat Kelly
Curt Labelle
Lisa Monague
Pat Morris
Jennifer Nieswandt

FINANCE

Maria Bigornia
Scott Bridge
Calvin Chew
Wendy Clark
Brad Cumberland
Darilyn Derwent
Bernadette Enos
Lana Howeg
Ron Lepp
Donna Patton
Gail Quartly
Edwin Sanchez
Aaron Schaefer
Cam Sebastian
Raman Seetal
Aaron Thompson

EXPLORATION

Ardis Chen-See
Greg Crowell
Michael Ferrari
Myron Franks
Brett Frostad
Corey Jerome
Sandra LeBoeuf
Ken Lueers
John MacGillivray
Shawn McCrea
David Patterson
Dale Rasmuson

CORPORATE

Myra Jones
Lorna Lowther
Don Nelson
Dawn Scott
Wendy van der Laan

LAND

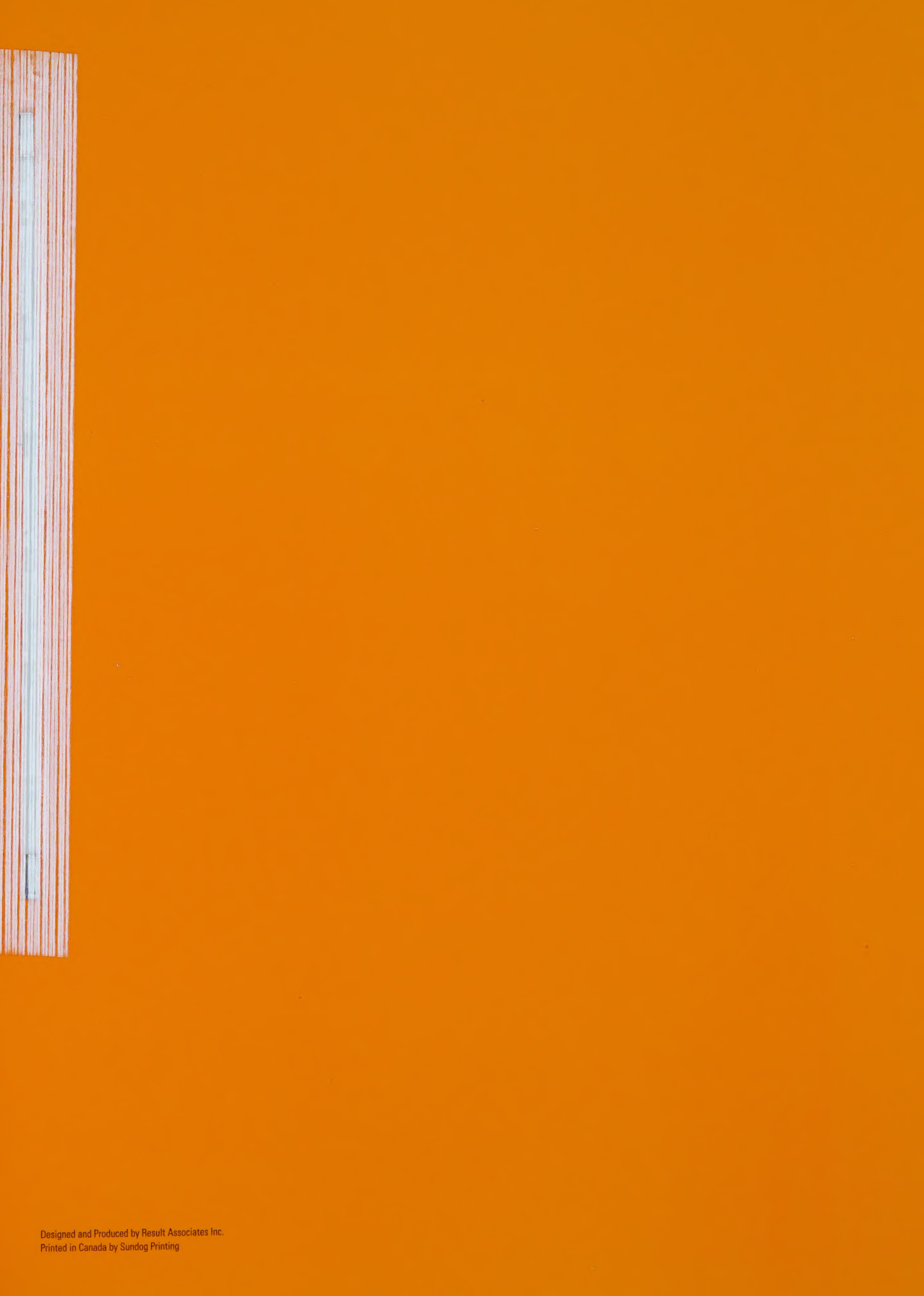
Monica Baranec
David Elmer
Bob Grisack
Susan Hargreaves
Debbi Hayashi
Gary Jackson
Barb Jensen
Stephen Ludgate
Lisa Nemeth
Kimberley Penney

MARKETING

Bryn O'Shaughnessy
Carl Weinman

FIELD OPERATIONS

Mike Carlson
Jack Carroll
Pat Cuthbertson
Bill Curtis
Gerry Diegel
Glen Dundas
Benno Gerwin
Bruce Hodges
Bing Ismond
Bernie Schillo
Mike Steen
Len Stringer
Keith Trach
Richard Trotter





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